CREDIT AND FINANCIAL MANAGEMENT

"The report by the Commission on Money and Credit is extraordinary because it contains more than 80 recommendations and yet fails to deal directly with the most important long-run problem in money and credit faced by the American people—how to keep their money safe in banks . . ."

—From an Analysis by Professor Arthur R. Upgren beginning on Page 8 of this issue.

(Here Professor Upgren hits upon a moot point: Over the years there has been much loose talk to the effect that our economic stabilizers make us depression-proof. Are we relying too much on them, so that we are acquiring too much confidence?—Ed.)

AUGUST
1961

NUMBER 8
VOLUME 63

Editor's Mail

Reprinting June Editorial

"I think Mr. Alan S. Jeffrey is to be congratulated on one of the finest editorials on the matter of National Confidence that I have read. (June 1961 CFM)

"If consistent with your policy, I would like to have your permission to submit this editorial for inclusion in our next company magazine 'The Watco' which is published quarterly and distributed among all our employees. Of course proper credit would be given to Mr. Jeffrey and to your magazine."

J. M. WILLIAMS
Comptroller, Wallace & Tiernan, Inc., Belleville, N. J.

Results Most Satisfying

"The results of my advertisement in CREDIT AND FINANCIAL MANAGEMENT have been most satisfying. You'll be interested to know that I have accepted an offer of employment with Bendix Products Division, Bendix Corporation, South Bend, Ind."

R. W. GREENGO
Minneapolis

Finds Cash Discount Helpful

"I read with interest the various letters on cash discount in your March issue. Obviously there is much to be said for and against a cash discount for prompt payment.

"I would like to make this observation in favor of a cash discount. When manufacturer's terms are net 30 days to their dealers, some pay promptly when due but many pay in 45 days or at the end of a 60-day period. The effect of this is that one who pays promptly when due is paying more for the merchandise than the one who takes extra time to pay his bill, because the latter had the use of the money for that extra time.

"If a cash discount for prompt payment is offered and enforced, the one who pays promptly is rewarded for his promptness, and the one who takes extra time does not save the cash discount, so it eliminates the unfair situation mentioned first, where the slow-pay dealer does in effect purchase at a cheaper price than the prompt-pay dealer.

"Of course if dealers were permitted to take the cash discount even though they did not pay promptly, there would be really no point in having cash discount terms."

WILLARD WHIPPLE
President, El Paso Hotel Supply Company, El Paso, Texas

SBIC on Rodgers Article

"I enjoyed reading Mr. Rodgers' article in your May issue ("Money to Grow On," Page 8), and particularly his references to the SBIC program. We feel that much more needs to be done to acquaint the nation's small businessmen with the existence of the SBIC program and how it works, and we are confident that articles such as Mr. Rodgers' have helped a great deal to bring the program to the attention of the people it is intended to assist.

"In our efforts to tell the SBIC story, the Association has developed a direct mail brochure.

More than eight thousand copies of this brochure have already been mailed to small businessmen inquiring as to the nature of the SBIC program and where they can go to apply for funds. You will note the insert sheet at the back of the brochure listing the names and addresses of all of our member companies.

"We believe that the readers of your magazine might be interested in receiving this brochure. If you agree and would like to make mention of the brochure in your magazine, we shall be pleased to answer any requests received here for it."

CHARLES M. NOONE
General Counsel, National Association of Small Business Investment Companies, 537 Washington Building, Washington 5, D.C.

Articles Helpful

"I have been an avid reader of this publication for the seven years I have been Credit Manager and many of the articles have proven helpful to me."

J. R. SCHOENENBERGER
Office-Credit Manager, Orr Iron Company, Evansville, Ind.

EDITORIAL

The Danger of Complacency

WE call your special attention to Professor Arthur R. Upgren's analysis, in this issue, of the newly released report by the Commission on Money and Credit.

The CMC was created four years ago by the Committee for Economic Development to study the public and private financial institutions of the United States. Financial support for the study came from the Ford Foundation and the Merrill Foundation as well as from the CED itself.

The undertaking was widely heralded as the first comprehensive look at the entire structure and operation of our national monetary system since the establishment of the Federal Reserve System.

The writer happens to be personally familiar with the vast extent to which the Commission has gone to assure a thorough study, and while the report does not produce any revolutionary recommendation concerning our monetary system, the ideas developed, when taken in total, make the four years of painstaking work worthwhile.

Yet, while the analysis of this study, which we print, is of course the opinion of Dr. Upgren, and not necessarily that of the National Association of Credit Management, we must underscore a most important warning which this experienced economist sounds.

We have become complacent, during the post World War II years, concerning the economic recessions which have recurred from time to time.

We have listened to a lot of loose talk about the infallibility of our so-called built-in automatic economic stabilizers.

We have been assured and reassured that 1929 and the great depression cannot happen here again.

We pass no judgment on this infallibility theory. Nor do we wish to create unnecessary alarm.

When an economist of the stature of Dr. Upgren makes out a strong logical argument concerning the continuing decline in bank liquidity, and forecasts that we will expect to reach the danger point in from seven to nine years, we raise the question in all seriousness as to whether we have not been lulling ourselves into a false sense of security, and we wonder with Professor Upgren why the Commission on Money and Credit failed to address itself to this very vital problem and made no recommendations designed to insure a safe money and banking structure in the United States.

Alan S. Jeffrey

EXECUTIVE VICE PRESIDENT

TRUSTEE TO THE RESCUE

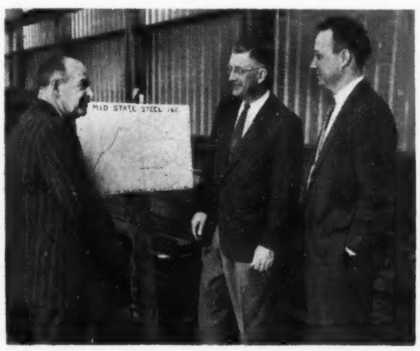
THE MARGINAL ACCOUNT! Everyone in credit management is talking about it and, in contrast to Charles Dudley Warner's observation about the weather, 'most everybody "is doing something about it".

Why? For one reason, in the accelerated competition for business, the marginal account is becoming a more and more important factor in volume profit of suppliers.

In the case history discussed on page 14 by G. O. Stanley, vice president and treasurer of Mid-State Steel, Inc., Nashville, appointment of a trustee by the creditors was an avenue for rescue of a customer who had fallen short in management knowhow and controls though he had excelled in quality of product.

As a result of this action, and other corrections, instead of loss of the account under pressure from some suppliers for bankruptcy, all lesser creditors have been paid in full and the amount due the principal creditor has been substantially reduced. A collateral note protects the balance.

At the chart are (l to r) P. G.



Banker, president; Mr. Stanley, and J. P. Newman, assistant general manager.

After 17 years in the operating and sales divisions of Armco Steel Corporation at Middletown, Ohio, where he was born, Mr. Banker, with Mr. Stanley and two others, formed Mid-State Steel, Inc., at Nashville, Tenn. Mr. Banker is president of the Southern Chapter of Steel Service Center Institute and past president of the Nashville Sertoma Club.

Mr. Newman has been with Mid-State Steel 11 years. He attended David Lipscomb College and is active in the Nashville Junior Chamber of Commerce.

A biographic sketch of Mr. Stanley is on page 15.

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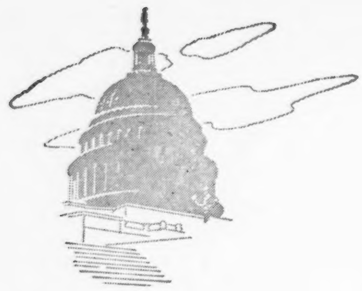

Washington

THE PRESIDENT has instructed the state department "to get the best possible relief (from import competition) not only for cotton but for other fibers."

Complaints that the volume of textile imports is causing shutdown of factories and the laying off of workmen have been voiced.

COTTON textile imports to the United States would be reduced 9 per cent next year if certain proposed restraints are adopted by the nations subscribing to the General Agreement on Tariffs and Trade (GATT). Such imports from Hong Kong would be cut 30 per cent but the combined imports from other cotton textile trade countries would approximate this year's.

However, the plan fails to satisfy the demands of U. S. cotton textile industry leaders, and their supporters in both Houses of Congress, for greater protection against foreign competitors' advantages.

The 9 per cent overall reduction estimate is computed through the proposed 30 per cent cut in such imports from Hong Kong, now 26 per cent of total cotton textile imports. Certain fluctuations would be expected, including an increase from Japan, which voluntarily has been holding down its sales in this country.

MANDATORY flexible import quotas, by category and country, for textiles and apparel were urged by the Senate interstate commerce subcommittee in a report which warned that unless the Federal Government acts to regulate the imports, "others will do so", with possible union boycotts of foreign fabrics.

The subcommittee, expressing disappointment that so few of its 1959 proposals were acted upon, had made these recommendations:

(1) Mandatory flexible quotas on textile mill products, garments and apparel, man-made fiber staple, filaments and filament yarn, established by country and category.

(2) Elimination of the two-price cotton system.

(3) Earliest possible revision by Internal Revenue Service of its long-term depreciation rates to permit more rapid tax write-offs.

(4) Expansion of federal research on textiles, and basic study to develop new industrial and consumer uses for fibers and fabrics.

(5) Provision annually of earmarked funds to finance the Business and Defense Services Administration's textile data collection and research.

BROAD investigation of stock exchanges "to see whether their rules are adequate to protect investors", would be conducted by the Securities and Exchange Commission under a bill introduced in the House by Rep. Peter F. Mack (Dem., Ill.), chairman of the House commerce and finance subcommittee.

WHILE a summer letdown in the steel industry apparently is following tradition, the seasonal lag is expected to be less sharp than predicted earlier. Many industries that consume steel close down the first half of July, coinciding this year with earlier changeovers to new auto models, but some manufacturers of steel say orders for August are an improvement over July's. Then, unless there are strike interruptions, stronger pickup after Labor Day is in prospect.

INCREASE of $1.8 billions in net working capital of U. S. corporations in the first quarter was estimated by the securities and exchange commission, most of it in manufacturing and finance companies. That raised the total to $134.3 billions. Current liabilities dropped $2.6 billions while current assets declined $800 millions. Holdings of cash and U. S. securities fell $2.4 billions.

SWIMMING with the tide, tax increases had been voted by mid-June by 23 of the 47 state legislatures in session this year, and many more were certain to be assessed against business and public in the closing days, when action customarily is taken on major legislation.

Too, says Commerce Clearing House, state legislatures through new tax laws are adjusting exemptions, changing rules of assessment and collection, and closing "loopholes"—all to increase revenue.

BETTER by 2 per cent than the normal seasonal gain was the May-to-June increase in both

public and private construction activity, with expenditures rising 9 per cent to $51.1 billions, said the Bureau of the Census.

And sales and new orders of manufacturers were up 2 per cent in May, with inventories unchanged, the Department of Commerce reported. Durables set the pace, with marked gains by steel and auto makers. Chemicals and rubber led among soft goods.

WHILE there was only a slight increase last year in oil reserves of the free world, production and refining capacity showed marked gain, with a 7 per cent rise in production and 5½ per cent in refining capacity, says the *Oil and Gas Journal.*

CONSTITUTIONALITY of state and city laws requiring a censor's permit before a motion picture may be shown was upheld by the United States Supreme Court. Four states, including New York, and 11 cities, including Chicago, have licensing systems.

The Times Film Corporation, of New York, applied in Chicago for a permit to show a foreign-made film, "Don Juan", but refused to produce it for inspection by the police department. Permit was denied in the test case, and the company then asked the federal courts to order the permit granted, arguing that prior censorship of any form of speech violated the First Amendment.

The high court had overruled various censors' bans on movies in recent years but until the current decision had not acted on the question whether censorship itself was permissible. In this instance overall censorship was the target.

AN UNJUSTIFIED handout to foreigners is what some bankers and members of Congress call the President's proposal to raise interest rates on foreign government deposits in U.S. banks.

This is one of three prongs of his program to reduce the balance-of-payments deficit. A second device, already authorized by law but waiting in application until the deposit legislation is passed, is issuance of government securities paying special interest rates. A third method, proposed to Congress, is tax exemption for interest paid on foreign central bank holdings of U.S. Government securities.

IMMEDIATE action by Congress for comprehensive river-basin development, flood and stream pollution control, and saline water conversion, was asked by the White House.

In calling for government cooperation with industry for development of economically competitive nuclear power within the decade, he departed from a proposal of a natural resources task force which had stated that nuclear power, "developed and financed by the people, should be made available from federal nuclear power plants as soon as production costs can be materially reduced."

THE PLACE to test private enterprise's competition with the Communistic economic system is in the underdeveloped areas of the free world, the world congress of the International Chamber of Commerce, in Copenhagen, was told by Carlos Montero of Portugal, the Chamber's president.

That the free markets of Western Europe should get together in a single common market was the hope expressed by Premier Viggo Kampmann of Denmark, member of the British-led Outer Seven.

WHILE a House armed services subcommittee was hearing testimony on "unbelievably fantastic and shocking" waste in negotiated defense procurement contracts, as Chairman F. E. Hebert (Dem., La.) phrased it, the House unanimously passed a record $12.368 billion defense authorization bill for airplanes, missiles and ships.

CANADA'S iron and industry had its second best year in 1960, says the U.S. Department of Commerce in its *Foreign Commerce Weekly.* The industry operated in excess of rated capacity in the first quarter, then eased off with slackened demand due to inventory reduction.

BUSINESS should turn to the Government's regulatory agencies for advice on conformance of operating policies to trade practice laws, executives were told by Justin N. Feldman, New York attorney who helped prepare the President's pre-inaugural study of the agencies. Mr. Feldman was a speaker at a conference arranged by the American Management Association.

MONEY MAGIC, "fraudulent" at that, is what Senator J. M. Butler (Rep. Md.) calls the current practice of issuing more currency to make ourselves "wealthy" without production to match it.

Addressing the Delaware Bankers Association in Wilmington, Senator Butler accused the Joint Economic Committee of political "loose thinking." He also declared that "excessive taxation has reached the primitive stage and is siphoning off funds for projects of dubious value, thus making it more difficult for those with enterprise to accumulate real capital and provide a solid base upon which the banking fraternity is able to extend sound and abundant credit."

NET PROFITS after taxes of the nation's 13,126 insured commercial banks (not taking in the 325 insured mutual savings banks) increased 35 per cent last year to a $3,791 million total, after the slight setback in 1959, said Chairman Erle Cocke, of the Federal Deposit Insurance Corporation.

Loans accounted for almost two-thirds of the $10,724 million total current operating earnings in 1960, expenses $6,933 millions. Payroll was up 8 per cent.

A Commission Reports;

An Economist Comments:

Time Is "Running Out" To Set Monetary Structure in Order

Report of Commission on Money and Credit Is Termed Most Adequate on How to Spur Economic Growth, But Silent on Recommendations on How to "Prevent Further Collapse of Money Supply"

By ARTHUR R. UPGREN*

I. INTRODUCTION

AN EXTRAORDINARY REPORT has been issued, this report by the Commission on Money and Credit (CMC), created by the Committee for Economic Development (CED), and financed by a $1,300,000 grant from the Ford Foundation. The report is extraordinary because it contains more than 80 recommendations and yet fails to deal directly with the most important long run problem in money and credit faced by the American people—how to keep their money safe in banks.

The report deals most adequately with the problem of economic growth, how the people can be made to understand the problems of growth, and how the money, credit, and fiscal policies we can use may be made to spur economic growth and to finance it.

II. CONTROVERSIAL RECOMMENDATION

THE MOST CONTROVERSIAL recommendation in the report provides that the President of the United States may reduce or increase by 5 points the first bracket in the personal income tax. That first bracket stands at 20 per cent, with total revenues produced at that bracket being 40 billion dollars (the first bracket produces over 80 per cent of total tax revenues of 50 billion dollars raised by the personal income tax of the federal government). Thus, dropping 5 points of this 20 per cent rate is equivalent to remitting to taxpayers no less than 10 billion dollars, yearly rate, or 5 billion dollars for six months, the limit for which this remission may be made by a single Presidential mandate under the proposal.

The Presidential tax remission (more properly tax cut) could go into effect in 60 days unless vetoed by Congress. The cut could be extended unless the extension were vetoed.

In the present short review based on the summary report, it is not possible to give the detailed recommendations. Perhaps the spirit of the report can be conveyed.

III. PRESIDENT TO REPORT

THE PRESIDENT would be asked to render a report to Congress each quarter on the economic performance of the American economy. He would say how well we were achieving the goals stated in The Employment Act of 1946: high, productive employment for the people of the United States. If inflation threatened, in the President's views and reports, he could similarly alter the federal personal income tax by increasing the first bracket to 25 per cent. Thus a "brake" on purchasing power at the rate of 10 billion dollars a year could be provided by this simple expedient.

The role of the President in our total economy would be greatly increased. Power to act and to report would be placed in the same hands, probably where it should be placed. Whether the President could be compelled to issue a report seems problematical. In 1937, after what must have been an exhilarating trip on the Cruiser Indianapolis, President Franklin D. Roosevelt issued a statement saying that we were having economic recovery, and added, "because we planned it that way." Yet we slipped into a new, sharp recession almost at once, in 1938, and had more than 9,400,000 unemployed workers in 1939, not to mention another 5,000,000 hidden, dammed-up unemployment on our farms (proved when during the war the farm population abruptly declined by that number and production on all farms advanced by more than 40 per cent).

Writing reports on the American economy (a task in which the writer has been fairly regularly engaged for

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forty years) is not easy. While he would like to see the President of the United States try his hand at it, there are dangers certainly for the President and probably for the country. A misleading report could shake confidence in the country's chief authority. An ineffective, verbose report would be of no value.

Then, too, we must remember that The Employment Act of 1946 enjoined the Presidential Council of Economic Advisers (CEA) to issue a "budget" on jobs, employment, and the like, a task which has been regularly shunned and avoided by the Council for 15 years. In fact, Senator Paul Douglas (Dem., Ill.) onetime president of the American Economic Association, insistently suggested a few years ago that the Council start taking up and fulfilling this task, legally required of it, but to no avail.

IV. OTHER IMPORTANT RECOMMENDATIONS

SOME of the other recommendations of the CMC include: branch banking for entire trade areas; removal of the interest rate ceiling on United States securities; offer of federal insurance for low down-payment farm mortgages and 3 to 10 year loans to buy farm equipment; federal regulation of pension funds; appropriation of funds in advance for five-year program of public works; federal charters for insurance companies; requirement that all insured banks (13,000 out of 13,500 banks are insured as to deposits) join the Federal Reserve System; greater taxation of savings institutions; removal of maximum interest rates on all government-insured loans; elimination of the gold reserve requirement of the Federal Reserve Banks (originally 40 per cent but only 25 per cent since 1945); centering of control in monetary policy in the Federal Reserve Board (at present shared with the Federal Reserve Banks).

V. THE CRUCIAL "MONEY PROBLEM" FOR THE UNITED STATES

THIS IS THE FIRST important "money report" in 50 years. After the Panic of 1907, we had an extensive "monetary commission" inquiry. This ultimately produced the passage of the Federal Reserve Act. The Act was passed by Congress on December 23, 1913 after President Woodrow Wilson had informed Congress that there would be no Christmas recess until the Act was passed.

The Federal Reserve Banks were quite unable to stop the very depression they were set up to stop. It had been the Panic of 1907, with widespread bank failures and the closing of all banks in the midst of high prosperity and business, which really passed the Federal Reserve Act. On March 3, 1933, when the Federal Reserve Bank of New York was closed by a "banking holiday", decreed by then New York Governor Herbert H. Lehman, this "court of last resort for money" now completely failed us. Many banks had adequate supplies of "eligible paper" to rediscount at the appropriate Federal Reserve Bank and were willing to rediscount to pay their depositors, but found the Federal Reserve Banks had closed their doors (in 1920-21 they almost closed their discount windows). So our Federal Reserve System, 20 years after its formation, failed to stop all future bank failures and panics, particularly in 1933 when there was failure in the midst of plenty.

After the collapse of 1933 we approached the problem of a safe and adequate money supply at a different level. In 1914 we had set up the Federal Reserve System but had failed in political courage to require all banks to belong to that system, which was to stop all future panics for money. We had failed to compel the thousands of state banks to join the system, a requirement that the CMC now strongly urges. These state banks thus were outside the system and there was no court of last resort to provide money for them. About half, slightly more, of the country's banks failed, and the failure rate was over 70 per cent in the agricultural west where state banks were very numerous.

Following the collapse of the banking structure of the country in 1933, we provided deposit insurance, first for $5,000 deposit of every account, later increased to $10,000. The provision of funds to assure the underwriting of losses has been extremely small. Reserves of the Federal Deposit Insurance Corporation (FDIC) amount to about one dollar for each $100 of deposits

(Continued on following page)

"Flexing" Taxes according to Stages of Business Cycle

CMC RECOMMENDATION	DR. UPGREN'S ANALYSIS
The President be empowered to decree 5-point reduction or increase in first bracket in personal income tax.	*Adequacy of the earlier CED policy is proved, without the political dangers CMC policy may inject.*
President would be asked to render a report on economic progress each quarter to the Congress.	*A misleading report could shake confidence in the Executive. Ineffective report would be of no value.*

A summary of the Report of the Commission on Money and Credit is available at 25 cents a copy, cash with order, from National Association of Credit Management, 44 East 23rd Street, New York 10.

guaranteed. There is additional borrowing power of slightly less than $2. In the great collapse of 1929-1933 about $23 per $100 of all bank deposits was destroyed. Thus this guaranty fund of the FDIC is utterly inadequate for the underwriting obligation the law has given it. All other guaranty plans, on a narrower basis to be sure, have failed.

This is what led the FDIC to announce in advance its predicament. The relevant section from its annual report for 1957 ((pp. 65-66) follows:

> "There is no question that the present deposit insurance fund would be entirely inadequate should, for example, a situation similar to that of 1930-1933 recur.
>
> "To what extent can we expect a situation such as that of 1930-1933 to recur? Certainly, we can conceive of the possibility of a severe economic downturn accompanied by large numbers of bank failures. Neither the public confidence engendered by the existence of Federal Deposit Insurance nor the improvements in banking and bank supervising would be sufficient to prevent these failures, which would be a consequence of economic dislocations of a fundamental nature.
>
> "However, because the federal government is committed, under the Employment Act of 1946, to follow policies which will stimulate full employment, and in view of the knowledge and authority now possessed by various agencies of the federal government, it is reasonable to assume that we will be able to avoid prolongation of a serious depression."

Clearly we have not yet provided a safe banking structure in light of this statement. The problem still lies ahead of us. Because "bank liquidity"—the ratio of all cash, reserves, and United States obligations to total deposits—reached the phenomenally high figure of 83 per cent in 1945 and has as yet declined to only 43½ per cent this year, we still have time to act. But the Commission on Money and Credit has not addressed itself to this vital problem.

The decline in the bank liquidity ratio, which was a ratio of 23 per cent in 1929, after which there were widespread bank failures, may be expected to reach the danger point in from 7 to 9 years, depending upon the rate of the country's economic growth, the increase in bank loans, the decrease, now incessant for 16 years, in bank holdings of U.S. securities, and the decrease in the nation's total gold stock (now off 7 billion dollars from the 24 billion dollar peak figure).

Thus we have about 5 years to come by an understanding of the problem of a sound and safe banking structure. We tried and failed in 1913 and 1933. The record thus is two failures and so far no successes. The belief that the power of the Federal Reserve Banks to lend on "any good asset" (a power given in the Banking Act of 1935) is sufficient, and that they will therefore truly become a certain court of last resort for money, can hardly be certain until they are permitted to lend on any bad asset. It is "bad assets", not "good assets", that cause bank failures. (Perhaps the language of the law might be to give power to lend adequately on "any asset.") This is the vital problem with which the Commission on Money and Credit has not grappled.

VI. THE CONTROVERSIAL FISCAL POLICY RECOMMENDATION

THE REMAINING CMC recommendation with which we may deal can be the suggestion for "flexing" taxes according to the stages of the business cycle. The recommended plan here is the 5 point cut in the first personal income tax bracket rate in recessions and the possible 5 point increase if inflation threatens.

About ten years ago the Commission's parent organization, CED, supported the credo of fixing tax rates to balance the budget at reasonably ideal rates of full employment. Then when unemployment increased and recession came on, the tax yield would be less, there would be an economy-sustaining federal budget deficit. If boom came, these same constant rates would produce a surplus (and they have) and the budget might be over-balanced so that total debt would not increase. This is essentially what has happened since 1945 and the end of the Second World War. The federal debt as a whole has hardly increased, the "net" federal debt (which excludes from the total the excess of funds borrowed at the end of 1945 from the debt total because of their use in repaying debt in 1946) has increased only 10 per cent in the 16 years since the end of the war. (All other forms of debt have

> ***"The most controversial recommendation in the Report . . . provides that the President . . . may reduce or increase by 5 points the first bracket in the personal income tax.***
>
> ***"(Our) 'Automatic Economic Stabilizers' prove the adequacy of the original directive of the Committee for Economic Development that tax rates should be fixed at those levels which would balance the federal budget at full employment.***
>
> ***"The CED policy is yet sound. The CMC policy, certainly tricky and not yet proved sound, may inject political dangers into fiscal policy"—***
>
> **Dr. Upgren.**

"The Report of the Commission on Money and Credit will be enormously useful to advance economic thinking . . . The great absence is . . . no recommendations designed to make sure that we have a safe money and banking structure in the United States . . .

"We have had almost six complete financial collapses in the sixty years from 1873 to 1933. . . . Time is running out for us . . . so that we may not have a 'collapse of the money supply' again . . .

"The report deals most adequately with the problem of economic growth, how the people can be made to understand the problems of growth, and how the money, credit and fiscal policies we can use may be made to spur economic growth and to finance it."

increased from 200 per cent—corporate debt—to 500 per cent—house mortgage debt).

So the rule of constant tax rates has worked well. There is immense "automatic" stabilization from this policy. This is illustrated in the accompanying table, entitled "The Automatic Economic Stabilizers".

THE AUTOMATIC ECONOMIC STABILIZERS

	In The 1957-58 Recession	*In The 1958-59 Recovery*
	(in billions of dollars)	
Change in Total Production (GNP)	—16.8	+51.9
Stabilizing Forces:		
(1) The Maintenance of Wages Out Of		
Corporate Taxes	+ 5.7	—11.4
Corporate Retained Savings	+ 5.6	—10.1
(2) The Maintenance of Unemployed Workers' Incomes		
Government Transfers (net) (Unemployment Compensation)	+ 3.2	— 1.1
Personal Income	— 2.3	+29.0
(3) The Maintenance of Consumption By		
Lowered Personal Taxes	+ 1.1	— 3.9
Lowered Personal Saving	+ 0.3	— 1.2
Leading to Remarkably Small Changes In Total Consumption	— 0.9	+23.9

In this table we see that in the 1957-58 recession, when total production (measured by GNP) declined by 16.8 billion dollars (first line in table), total consumption fell by only 0.9 billion dollars (bottom line in table).

Intervening were the automatic stabilizers. Leaving to the reader their detailed and important study, it may suffice to say here that total wages were held up by continued wage rate increases in the recession of 1957-58. This caused a loss in corporate profits. This loss in corporate profits caused the 5.7 billion dollar decline in corporate taxes (second line of figures in table). Corporate retained profits also fell as wage payments exceeded receipts from the decline in total production.

"Government transfers", primarily the outpayment of unemployment compensation benefits, increased the incomes of the unemployed workers by 3.2 billion dollars (fourth line of figures in the table) causing an outward payment of the cash receipts of the Treasury. As a result of these "stabilizers" we see that personal income fell by only 2.3 billion dollars (sixth line from the bottom of the table). This is indeed remarkable economic stabilization. We were "stabilized" for more than 80 per cent of the decline.

Then with this decline in personal income, we observe that personal taxes declined and personal savings were lowered by a small amount (4th & 3rd lines from bottom).

Now these stabilizers as a whole offset all but 0.9 billion dollars of the decline in incomes and consumption which would have otherwise been caused by the 16.8 billion dollar decline in total production in the 1957-58 recession. The offsets were 15.9 billion dollars, and of these the fall in federal tax revenues and in cash receipts from Social Security payments (carrying us into the un-

employment compensation outpayments which we have noted) amounted to 10.0 billion dollars. This is about a 60 per cent stabilization from the budget deficit. It is here that the CMC would go further and presumably suggest a further 5 point tax reduction as we have noted, to cause a further deficit in six months of 5 billion dollars.

It is extremely important to note that, because consumption was so well maintained, the economy turned up with a rush as soon as inventory liquidation was ended in early 1958 and business expenditures for new plant reached their bottom. Then because production had been lowered (while inventories were being liquidated), the end of liquidation and the maintained levels of personal income and spending (consumption) brought, necessarily, a sharp and large recovery. This we see in the second column of the table. Now the automatic stabilizers work in reverse so that we may say they amount to "dual action shock-absorbers."

VII. SHOULD WE HAVE TAX REDUCTION BUT NO "FLEXING"?

Our purpose here is only to consider the effects of an unchanged tax structure so that we may analyze, in light of this most important evidence, the desirability of the CMC recommendation to "flex" tax rates by deliberate policy instead of relying solely upon the "flexing" of the tax revenue total which we have seen occurs automatically as in the first column of the table.

In the recovery of 1958-59 (second column in the table) we observe now that total output is increased by no less

than 51.9 billion dollars in a period only slightly longer than that in which the economy suffered the decline of 16.8 billion dollars in total output (this is precisely what is happening today, June 1961).

Of this recovery in production a large share was taken by the Treasury in the form of greatly enlarged corporate income tax payments—11.4 billion dollars—and Social Security taxes now yielded 1.1 billion dollars instead of the unemployment outpayments we measured in the recession. In addition, as personal income taxes increased on the rising personal incomes, the Treasury collected another 3.9 billion dollars.

This total gain in tax revenues adds up to 16.4 billion dollars. This completely wiped out the budget deficit of 12.4 billion dollars in the previous fiscal year and produced a surplus. A modest amount of the national debt was then retired.

This increase in tax revenues certainly appears to have been heavy enough to hold consumption from rising by an amount sufficient to give the economy high employment, the objective of the Commission and the nation as evidenced by the terms of The Employment Act of 1946. In the recession there should have been a modest addition of support to the economy. In the recovery there should have been less restraint (by taxes) upon the rise in consumption. In this way the fuller employment we now seek could have been obtained. But the requirements we have laid down here could have been met by a modest reduction in the tax rates. No further "up and down" manipulation would have been required.

Thus it appears that the original tax directive of CED, that tax rates should be fixed at those levels which would balance the federal budget at full employment, is still adequate. No error of "upping" taxes, at a time when later evidence shows that action should not have been taken, enters the picture. No error of having lowered the rate when that subsequently is proved undesirable will occur. The only judgment needed is that tax rates should be lowered, and then they can be left where they are without cyclical intervention of the kind the CMC has recommended. The adequacy of the earlier CED policy is thus proved without entering the political dangers which the CMC policy may inject into fiscal policy. The former policy is yet sound and adequate. The latter policy is certainly tricky and is not yet proved sound.

* * * *

The report of the Commission on Money and Credit will be enormously useful to advance economic thinking. There are many lines of recommendations which will require further study. The great absence is that there are no recommendations designed to make sure that we have a safe money and banking structure in the United States.

We had almost six complete financial collapses in the sixty years from 1873 to 1933. Only gold devaluation (and its direct consequences) and Treasury one hundred billion dollar financing at the commercial banks made us so inordinately "liquid" as to our banking structure that we have been able for 28 years to prevent further collapse of the money supply. We have "run out" of two-thirds of the excess liquidity created by these two dramatic financial maneuvers.

Time is running out for us in setting the entire banking and monetary structure in order so that we may not have a "collapse of the money supply" again.

Wide Reform of World Finance System Not Warranted: Hayes

No present needs would warrant far-reaching reform of the international financial system "which would basically alter the present structure, practices, and institutions of the world", declared Alfred Hayes, president Federal Reserve Bank of New York, in a statement filed with the subcommittee of international exchange and payments of the joint economic committee of Congress.

Two major problems associated with short-term capital movements, said Mr. Hayes, are the possibilities that such movements will encourage speculative forces and disrupt trade, and that they might threaten a reduction in liquidity required by a particular country to sustain other trade and financial transactions.

Steps to avert such developments include recognition by all countries of the importance of international factors in shaping domestic monetary and financial policies. So, relaxations of credit restraint in the United Kingdom and Germany have significantly narrowed international interest rate differentials, though the U. S. Treasury bill rate has held firm. Too, central bank cooperation potentially can effectively cushion and reverse speculative capital movements, Mr. Hayes noted.

Awards for Ideas

Suggestions on how to improve plant and product, reduce costs and increase safety brought $318,000 in cash awards to Eastman Kodak employees last year. At International Business Machines Corporation two employees were awarded $56,031 for an idea which eliminated 14 printed circuit cards from a magnetic tape unit.

$228 Million Loss to Savers Laid to Dollar Depreciation

Dollar depreciation cost savers in six categories more than $228 millions—57 per cent—in purchasing power from 1939 to 1959-60 on average holdings, says Dr. Walter E. Spahr, executive vice president Economists' National Committee on Monetary Policy. The six categories: U.S. Savings Bonds, bank time deposits, savings capital, savings and loan associations, life insurance in force, annuities paid out, and Social Security trust and unemployment funds.

Company Directors' Retirement

Three-fifths of manufacturing concerns participating in a survey of 205 companies by the National Industrial Conference Board reported that they have no set policies on retirement age for directors.

WHOSE CREDIT CAN BE TRUSTED?

Depends on Whether Character Is Absolute, Relative or Prudent

By **PETER J. HAMPTON, Ph.D.**
University of Akron

CHARACTER will usually tell who can be trusted with credit. The person with an *absolute* character usually pays his debts because he feels he has to. The person with a *relative* character pays his debts because he wants to. The person with a *prudent* character pays only when he is made to. These are sweeping generalizations, we agree. Barring circumstances over which a person has no control, they hold with few exceptions and apply as much to the manufacturer, wholesaler, jobber, banker, insurance agent and public utilities officials as they apply to the individual buyer.

P. J. HAMPTON

It has been our practice in testing and counseling with youngsters, to administer temperament tests to their parents as well. Our basic reason is to determine to what extent a youngster's difficulties are reflected in the parents' temperament, and to what extent the parents' temperament shows qualities needed to guide the youngster. Part of the temperament test we use is a character test which permits us to divide parents into three basic classifications: the absolute, the relative and the prudent.

Persons with an Abso'ute Character

PERSONS who may be said to have an absolute character usually pay their fees for the counseling we do with them and their children, because they feel they have to. Sometimes we wait a considerable length of time to be paid, at times more than a year, but payment usually is made even if the parent has to borrow money. There are times when a person's name must be listed with the credit bureau or a collection agency.

The person with an absolute character expects to be pressured for payment. All his life he has been doing what others say he should do. He lives by the dictates of authority. He may rebel, to be sure, but since he has no authority of his own, he generally, in the end, conforms to the authority of others—if such authority is strong enough and continuous enough. That's why customers with an absolute character have to be billed repeatedly. Since they do not have an internal authority to remind them of their obligations, an external authority has to be applied.

Such people are much like children who have to be told what to do and what not to do and have to be told so repeatedly. Frequently they are persons who, as children, grew up in a home where mother or father or both were domineering persons who made most of the decisions—and so made it impossible for the children to develop a reference point of their own for judgment and decision making. For such persons things are good or bad, true or false, right or wrong, because an external authority says so. Frequently this absolute impersonal way of acting toward authority, developed by a person in childhood, is reinforced in later life through marriage and occupation.

Persons with a Relative Character

PERSONS who may be said to have a relative character usually pay their bills because they feel committed to do so by their word or signature. There are times, however, when a commitment made to us by a wife is not supported by the husband. One way we have tried to circumvent this problem is by making out the contract for services to the husband. Then it becomes binding by law.

The person with a relative character has developed an authority of his own. He knows right from wrong, good from bad, true from false, because over the years he has developed his own reference points. He has internalized the external authority and has made it his own. He has also made it milder through understanding. The absolutes are gone. For such a person a thing is no longer either good or bad, true or false, right or wrong. It is more or less, depending on the extenuating circumstances.

***

EDUCATOR *and author, Peter J. Hampton, Ph.D., is director of psychological services and associate professor of psychology, The University of Akron, and in private practice is a consulting psychologist, clinical and industrial.*

Dr. Hampton, who has degrees from the Universities of Manitoba (with scholarship honors), Minnesota and Western Reserve, was also awarded grants for research. Mrs. Hampton, M.A., Minnesota U., assists him in diagnostic testing and psychotherapy with children.

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With this orientation, the person with a relative character will take care of his obligations if, relatively speaking, they are just, in his eyes. If they are not, he will refuse to pay. For example, a person with a relative character may refuse payment for a service he considers over-priced, even if the service has been performed. The persons with an absolute character will usually pay no matter how high the fee. These are the persons who are so susceptible to the nothing-down-and-so-much-per-month-with-interest selling plans. Surprisingly enough, these people usually make good on their promises to pay—because they are afraid not to pay. Not so the person with a relative character. If reason is his ally, obligations in terms of commitment may have to take second place.

The best way to approach the person with a relative character, in collecting fees, is with fairness and respect. He is not a person who can be threatened into paying his bills. The pay-up-or-else technique just does not work with these people. Occasionally one of them will pay un-

(Continued on page 29)

MANAGEMENT AT WORK

.... a problem case is solved

By G. O. STANLEY, Vice President-Treasurer
Mid-State Steel, Inc., Nashville, Tennessee

THERE are many kinds of credit managers, with differing shades of management philosophy in the acceptance of the credit of a customer.

There is the man, fortunately the exception, who makes his decision without first obtaining all possibly available data, financial and otherwise.

And there is the credit manager of the old school, the throw-back to the days when the sole criterion of his worth to his company was minimal loss on accounts gone sour, rather than the modern concept of measurement of his success by the additional sound business he has brought in by aggressive aid to concerns in building sound operation. Today's competition leaves little room for the ultra-conservative credit manager.

Penny Wise, Pound Foolish

I knew of one who boasted that he never lost a penny for his company. That likely was almost true, for when a new account was brought in by a salesman he looked it up in a mercantile agency listing. If the customer was not listed as having at least $50,000 and high credit, the account was rejected immediately.

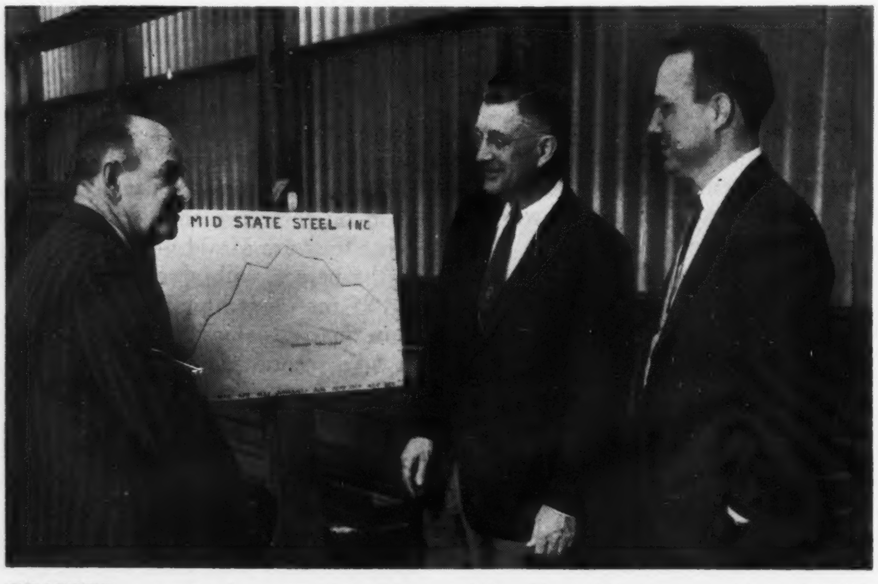
The result was that, while losses were held close to minimum, the credit manager actually had turned down a tremendous amount of business which his company should have enjoyed.

No credit manager likes to lose money for his company, even while working within the framework of his company's policies, as he must do. He has little occasion to worry over the account that has at least $50,000 plus high credit; the worry comes when the company permits selling to marginal accounts. Nevertheless as the saying goes, "Thar's gold in them thar hills", even though one may expect a loss, now and then, but of not over one-half of one per cent, under intelligent screening and handling.

Proper application of the five C's —Character, Capacity, Capital, Condition and Coverage—goes a long way to offset the losses in marginal accounts.

Most people are essentially honest. The difficulty in marginal accounts comes when someone fails to pay, or uses a little poor judgment, or becomes a bit greedy for business. Few marginals have proper guidance channels to learn what kind of business climate to expect in the near future. Few have proper banking connections. Their business experience may not have been good. They are just not equipped to weather a financial storm.

In the steel business a reasonable volume is essential. There are many well-rated concerns to which everyone desires to sell, but there are also numerous small sheet-metal shops, welding shops, machine shops, even ornamental iron shops in the backyards which are not even rated except in the local credit bureau offices. They can spell volume and extra profit if one knows how to get and handle the business.



GRAPHIC ***account of an account. Left to right: P. G. Banker, president of Mid-State Steel Inc., Nashville; G. O. Stanley, vice president and treasurer, tracing the case history; and James P. Newman, assistant general manager.***

Short on Judgment, Controls

Following is the case history of one such business and how the credit complications were mastered.

Over a period of years, the manager or owner of the company had not used good judgment, nor had he had proper guidance or controls. He did good work, had the necessary know-how to produce it, but he did not know how to manage his operations. He owed us $3,500 and we learned that this represented 70 per cent of his indebtedness. His small creditors were pressing for payments. In order to keep them from pushing him into bankruptcy, to prevent loss of the entire account to everyone, and at the same time to make certain there would be a reasonable degree of adequate management, we went into action.

Trustee Is Solution

At a meeting of creditors we appointed a trustee. This would prevent him from over-commitment, in fact would deter him from even writing a check without the advice of the trustee.

By this procedure, coupled with a few other corrections in the conduct of the business as well as his personal affairs, the account has been

FROM a farm near Nashville, G. O. Stanley attended David Lipscomb College, later took special courses at Vanderbilt University, in the extension school of the University of Tennessee, and in banking.

After Navy service in World War I, Mr. Stanley was successively associated with a cotton broker, in the appliance industry as a foundry superintendent, then executive vice president and sales manager of a manufacturer of gas and electric ranges.

Following participation in organization of Mid-State Steel Inc., Mr. Stanley became vice president and treasurer.

enabled to pay off all the smaller creditors and to engage in normal operation.

My company has not yet been paid in full, but the amount due us has been materially reduced, and we have a collateral note for the unpaid balance.

In the long run the account will come out all right.

"Hair-Shirt" Proponents of Government Control Decried

Taking to task "hair-shirt philosophers" who charge that production of consumer goods such as automobiles is absorbing energy and resources that should be allocated to public goods like schools, hospitals and missiles, President John F. Gordon of General Motors says in The University of Michigan *Business Review:*

"They do not seem to understand, for example, that it is the production of consumer goods and services which makes possible the tax revenue necessary to create social goods."

"Most people", Mr. Gordon believes, "if given the opportunity, would prefer to live under a system in which the citizens keep the most powerful controls in their own hands. We must demonstrate to the world that the free enterprise system can be more creative than any other."

Ignoring Spiritual Antecedent Blamed for Government Power

The most important cause of growth in governmental power, "with its destructive effects on the free market," is an "almost total disregard for the spiritual antecedent on which the free market rests." Yet—among the millions of dislikers of state interventionism, "not one in 10,000 can be found who can do more than damn the ideology." Without skilled expositors there is no possibility of reversing the trend, Leonard E. Read, president Foundation for Economic Education, told the Eastern Area Conference of the Controllers Institute of America.

Calling the tax law much too complicated and therefore a deterrent to business activity, Leslie Mills, partner in Price Waterhouse & Company, illustrated this way:

"You have encountered the 'big brother' approach of the Congress and the Administration to your attempts to compensate your employees by means of pension, profit-sharing, stock bonus, and the like . . ." And then Congress "has created complications and requirements for advance approval that sometimes inhibit business decisions altogether."

Know

Your National Association — —

Part V—INDUSTRY CREDIT GROUPS

How credit executives get together to piece together the whole credit picture on marginal and problem customers . . .

BEFORE the NACM organized and operated Industry Credit Groups, the credit picture of the marginal or problem customer often resembled the jumbled pieces of a jigsaw puzzle. In these groups, many credit managers now find the answer to one of their most pressing perennial questions: how to put the pieces together and get the complete picture of such accounts.

Nothing is more decisive to company profits than the credit executive's sound management of marginal and problem customer credit. In a recent NACM membership survey, six out of ten credit executives said that their companies depended on marginal customers for more than ten per cent of the sales volume. And one-fourth of the companies actually depended on sales to marginal customers for more than 20 per cent of their gross sales revenue. Significantly, not one of the surveyed companies reported carrying no marginal customers on the books.

Obviously, the marginal customer's share of the company sales volume frequently spells the difference between profit and loss. It is in this gray area of customer risk that the credit manager needs the most complete and current information he can get. Industry credit groups are designed to help NACM members get all the data available for the crucial credit decisions on these accounts.

An Industry Credit Group is a group of credit executives in the same or allied lines of business who meet to discuss their individual credit experiences on mutual customers. More than 850 of these groups are operated by the NACM and its network of 123 affiliated local associations. About 30 groups operate nationally. The others are local or regional. National groups are usually manufacturers. Local groups are usually wholesalers or distributors. All are organized on a common customer basis.

The three-fold purpose of Industry Credit Groups is described this way in the NACM Board of Directors' Manual:

> (1) To bring together, at regular intervals, credit executives selling the same trade for consideration of the affairs of their common debtors.
>
> (2) To promote a cooperative spirit among credit executives in order that a free and enlightened exchange of credit information may ensue to the benefit of participants and business generally.
>
> (3) To induce frank discussion of experiences with slow pay and marginal accounts so that distribution channels may be kept open, and on a safe basis.

Two of the Ten Canons of Commercial Ethics are usually embodied in the group's bylaws: "The interchange of credit information must be based upon confidence, cooperation, and reciprocity." And, "Members pledge themselves to uphold the integrity, dignity, and honor of the credit profession in all their dealings." Successful credit group operations depend on strict observance of these principles.

HOW GROUPS START

STARTING POINT for most credit groups is widespread conviction among credit managers in the industry that group meetings will give needed credit information, not then available. The sales-conscious credit executive is always looking for some way to say yes to every sale on which a profit can be made. Because he is wagering his company's working capital on the marginal accounts, he must have not only factual information but also *all* the available facts. It is axiomatic that most credit losses come not from poor judgment but from poor or incomplete information on which to base credit decisions.

When a representative number of credit managers with common customers agree that a group will be useful in solving the marginal customer risk problem, they generally appoint a local association secretary-manager, or some other qualified NACM official, as secretary of the group. It then becomes the secretary's job to handle all mechanical and clerical details in the exchange of credit information. The secretary

NACM's Industry Credit Groups are the theme of this month's article, Part V, in the "Know Your Association" feature series.

The fourth chapter, in the July number, showed how the Association wars on business crooks through its Fraud Prevention Department.

And How It Serves You

also arranges group meeting dates and places.

From among themselves, group members elect an executive committee. It consists of such officers as may be necessary to conduct the group's business. Usually, a chairman is appointed to conduct meetings, and a vice chairman to do so in the chairman's absence. The chairman in turn generally appoints a number of committee heads. One of the most important is the program chairman, who works closely with the group's secretary in arranging interesting and informative meetings and in setting up the agenda.

The group then adopts a set of bylaws, standard in pattern but adapted to the industry. The bylaws typically include the group's name, purposes, membership requirements, dues, meeting procedures and requirements, officers and their responsibilities, committee structure, and other matters that assure efficient and ethical operation.

The bylaws include such qualifications for membership eligibility as these:

(1) That the applicant shall be a member of the National Association of Credit Management through an affiliated local association. (Always)

(2) That the applicant shall have been engaged in business over a stated number of years, and shall have gross sales of not less than a stated amount per year. (Usually)

(3) That the applicant be engaged in the business of selling its products to customers within a certain territory or classification. (Often)

Industry Credit Group bylaws generally state that reports are for the exclusive use of the credit departments of member companies. Members are advised that the information is to be used to help them individually arrive at intelligent credit decisions, in line with their own company policies.

Bylaws also give the group protection against any individual member's abuse of the group's purposes, privileges, and ethics. "Members," say one group's bylaws, "may be suspended or expelled for any act, or failure to act, deemed prejudicial to the group." This bylaw then goes on to spell out the formal procedures for suspension and expulsion.

Each group is a self-policing unit. The bylaws generally put the required standards in writing. Group members, for example, must be authorized credit department representatives. Sales personnel are specifically excluded. Since the meetings are confidential, permission to bring any guest must be obtained in advance from the chairman.

Group membership is open to all qualified companies that meet the group's bylaw requirements. Among these is one basic to effective group operation: willingness and ability to cooperate fully in exchanging confidential ledger experience with competitors.

Failure to cooperate, or misuse of confidential information acquired through the group, may be cause for expulsion after hearings and a group vote. For this purpose, the association keeps complete cooperation records on all group members. In some groups, a membership committee is formed, with responsibility to see that each member cooperates, and also to screen membership applicants before their names are submitted to the group.

HOW GROUPS WORK

Most industry credit groups exchange information in two ways: through periodic written reports, and open discussion at regular meetings. The two services dovetail. Each group member submits to the group secretary the names of his marginal and problem accounts, usually restricted to a maximum number. The names are collated and alphabetized by the association. A consolidated inquiry list is then sent to the entire membership requesting current ledger experience on the listed accounts. These must be returned to the group secretary by a deadline date far enough prior to the next group meeting to permit the association to prepare the written report.

Those associations that operate Credit Interchange Bureaus begin CI clearances to supplement information obtained from the group. In this way, other segments of the industry contribute credit information on the group's customers. This assures the group of the most complete and current payment record available.

Summary reports are then compiled by the association and distributed at the group meeting. They become the basis for the group's round table discussion. Each account is analyzed at the meeting in an attempt to learn the reasons behind its marginal status and its slowness in payment to trade creditors. At this point, members may report personal visits to accounts that the group is discussing. The group discussion, based on the pool of individual experiences, is directed at determining the future payment trends of specific marginal customers.

Facts are discussed freely, but never any individual company's final credit decision. Nor are group mem-

bers permitted to arrive at a mutual decision to treat any account in the same fashion. The group's operating rules emphasize that all credit decisions must be reached individually and privately, based on complete facts made available to the members at the meeting.

In addition to the usual ledger information and customer experience, many groups offer supplementary services, depending on the needs of the industry and the desires of the specific group. Roughly a third of all local groups, for example, develop delinquent lists for members. Over 100 local groups list customers with insufficient funds, through an NSF list. Some groups are given "Flash Reports," which contain comment of credit significance submitted by the membership to the secretary's office. These reports include any item which might tend to affect the risk.

By recent tally, more than two dozen other specific services are made available to some industry credit groups. Frequently, a "recap" or summary list of Credit Interchange clearances is provided. Other specialized group services include annual bad debt surveys, speakers and forums for meetings, and public record information, such as new licenses and liens. One group does considerable research among its own members, making studies of the number of people in the credit department in relation to the dollar credit volume handled, and the percentage of past due accounts to total receivables. In effect, each group determines what additional services, if any, will be useful to its membership.

GROUP BENEFITS

MANY of the benefits to each individual member from group collaboration are self-evident. The customer payment record is as recent as the hour before the meeting. Information that none would put in writing may be freely exchanged with fellow credit managers at a confidential round table. And there are other benefits.

Credit department policies, problems, and procedures often come up for discussion. Such discussions are likely to be more pertinent and valid when all the credit managers are in the same or allied industries. Credit managers also get to know one another on a first-name basis. These friendly business contacts are often extremely useful between group meetings when a telephone call will fill a gap in credit decision data.

For new credit personnel, group meetings are often their broadest and best job training. This point is made by the assistant cashier of a national company in a Management Study Report prepared for the Dartmouth College division of the NACM's Graduate School of Credit and Financial Management:

"The functioning credit department must always give consideration to its personnel, maintaining a qualified staff with available replacements. The educational program offered through credit groups is an excellent method of educating the junior credit executive."

Another Management Study Report, written by a large industrial company's credit manager for the Stanford University branch of NACM's Graduate School, views the sound handling of marginal accounts as the key to increasing company profits.

"A great deal of attention," he writes, "has been focused on marginal accounts, too often with the misconception that they are poor credit risks. Recognizing that the so-called marginal account of today may be tomorrow's best volume outlet, credit management needs a positive approach in line with good sales-credit relations to be able to extend credit where it is justifiable and profitable. When the proper approach to marginal accounts has been solved, credit management will have taken a big step forward toward helping its company and its industry get on a sound credit foundation."

This is precisely the object and primary value of the NACM Industry Credit Groups. It is why nearly half of the entire NACM membership participate in this association-sponsored activity. Aside from administrative convenience, more importantly the association provides the legal framework in which a group can operate.

More than 75 local associations affiliated with the NACM have organized industry credit groups in the major industrial and distribution centers of the United States.

Membership in existing groups—or making known your desire to start a new one—may be your answer to tomorrow morning's toughest, and most profitable, credit decision.

"Etc." is a sign used to make believe you know more than you do.
—Anonymous

Urge Court Uphold Writ to Bar State Tax on U. S. Sales

The Federal Government and Olin Mathieson Chemical Corp., New York, requested the federal court in Chicago to dismiss a petition by the Illinois Department of Revenue to vacate a judgment and injunction restraining the state from collecting the retailers' occupational (sales) tax on goods sold to the United States.

Following a suit filed by the United States and Olin Mathieson, three judges in Chicago had ruled that the 3 per cent state tax on goods sold to the United States was unconstitutional on the ground that it discriminated against the United States, since state and local government units and charities were exempted from paying the tax.

Motion to dismiss the petition asserted the court lacked jurisdiction because the judgment had been appealed by the Department of Revenue and was pending before the U. S. Supreme Court.

The petition said new tax regulations do not include exemptions and do not discriminate against the United States or infringe United States sovereignty. It was also claimed that the state may levy a tax on goods sold to the United States if no one is exempt from paying the tax.

Survey Shows Shortcomings In Business Public Relations

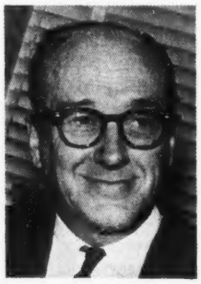
Illustrating the shortcomings in public relations work of bankers and businessmen are results of a survey of factory workers that show one out of every five thought net profits in business are at least 50 per cent.

Jordan J. Crouch, president Financial Public Relations Association and vice president First National Bank of Nevada, Reno, presented the survey statistics in San Francisco at a regional convention of NABAC, The Association for Bank Audit, Control and Operation.

Joseph G. Lutz, national bank examiner, said adequate internal control probably would have prevented the liquidation of 11 small national banks closed between 1946 and 1958.

Electronics, Punch Card Take Over After Romance of Safari for Coffee

ONE of our recent advertising series, in LIFE, emphasizes the romantic side of the coffee business by using variations on the theme of the safari, trudging through the jungle to bring coffee to the consumer.



J. C. LUCAS

Romantic, perhaps; but to those of us who have to keep track of that coffee, coming to us across several oceans from 15 or 20 countries, and moving out of our plants into 35 states and several foreign markets, romance is a minor factor. "More important," notes John C. Lucas, treasurer and controller, J. A. Folger & Company, San Francisco, "is the ability to produce, promptly and accurately, a vast variety of paperwork.

"Folger's is one of the pioneer companies of California. The first James A. Folger, who had come west with two brothers, set up in 1850 a whale-oil business similar to the one the family had operated in Nantucket, Mass. There is still a James A. Folger in the president's office, but the growth of the company has changed almost everything else.

"Whale oil was supplanted long ago by tea and spices, and they in turn gave way to coffee as the major business of the company; and the clerks perched on high stools, making hand entries in the big ledgers we still preserve, have been replaced by the most modern equipment we can use for our recordkeeping.

"In recent years we have based more and more of our procedures on the flexibility and speed of our punched card installation, centered around a Univac 120 electronic computer. When first installed, our tabulating set-up was used only for billing some 30,000 customers and maintaining the resulting amounts receivable, and this is still the bread-and-butter operation. Today, however—and particularly since the addition of the Univac 120—there is scarcely a transaction in our entire operations which is not recorded in punched cards.

AGED TRIAL BALANCE is quickly created by Tabulator for members of data processing department of J. A. Folger Company, San Francisco. The balance is produced by the coffee company's Remington Rand Univac 120 computer from punched cards which are kept in a drawer until paid.

Cards showing unpaid accounts receivable are periodically run through computer to establish an aged trial balance. The cards can also be used for many other purposes, including billing and computing of refunds to individual customers.

"The job begins with the buying of green coffee, to which we usually take title when it is loaded on a steamer in the producing country. Delivery can take up to three months, and in some countries ordering is confined to the periods when crops ripen or when auctions are held. To assure a steady flow of green coffee into each roasting plant is consequently a complicated job for the purchasing and production departments, as is the management of letters of credit, through which most purchases are made, for the financial group. Position reports, showing the quantities of nine different types of coffee on order, in transit and on hand at all locations, must be updated twice weekly. At month-end some 20 additional reports are produced, for such diverse purposes as accruing marine insurance liabilities, recording the cost and composition of the packed coffee produced, and analyzing letter of credit liabilities by maturities. The job does not end there; periodically, from the same cards, reports are produced which analyze purchases by country, by type, by broker, and so on. Most of these programs are semi-permanently wired into Univac 120 plug-boards.

Eight-Digit Code

"Billing, closely interlocked with receivables accounting, begins with the matching of the salesman's order copy with a bill of lading copy showing delivery. Careful planning has condensed the variable data, which must be hand-punched, into an eight-digit code for quantity and product, plus customer number, etc. The Univac explodes these codes, prices and extends the individual items of the order, and creates cards which, in the tabulator, produce completed billing. Simultaneously a summary card is produced which, tub-filed by territory and customer number, becomes an account receivable. When customers' remittances are received, the cards for invoices settled are punched as closed and tabulated for the cash receipts journal; and the open file is printed out, monthly or when desired, to produce an itemized aged trial balance."

"Full utilization is made of the equipment by running, side by side with these major operations, a wide variety of others. Payroll, for example," Mr. Lucas notes, "is not as big a problem for us as in many companies; it takes only about an hour of direct labor to produce a thousand pounds of packed and cased coffee; but we handle it on the Univac 120 because of the by-products we get in the way of unemployment tax lists for the numerous states in which we operate, etc. All our vouchering and payment operations

are processed on cards also, for the sake of the distribution analysis, bank account reconciliation, etc., which come more or less free. Even journal entries, both recurring and non-recurring, are punched. This does not mean that we have done away with manual general and operating ledgers entirely; the trial balance produced on the Univac 120 is a parallel operation as to account totals; but, through sub-accounts, we are able to produce detailed analyses of the operations of each sales division, as if they were separate companies, all the way down to the general overhead category of expenses.

Serves Multiple Purpose

"It is seldom indeed that a card is punched which does not serve more than one purpose." One interesting example pointed out by the Folger executive is in the field of 'price declines'.

"The green coffee market, tied as it is to the economies of many small nations, can at times be exceedingly unstable. Everyone can recall the time, a few years back, when the shelf price of roast coffee was nearly double what it is today; this was a direct reflection of high prices for green coffee. Grocers are understandably hesitant to buy heavily when prices are high, for fear the bottom may drop out.

"Consequently the coffee industry has long been saddled with a policy of 'price decline refunds'. In brief, this means that (at present) we guarantee to the grocer that if the price goes down after he has bought, we will refund the full amount of the decline on all purchases made within the eleven preceding days, and half the amount of the decline on purchases for the ten days before that. If, for instance, the price drops from 70¢ to 66¢ on the last day of June, refunds of 2¢ a pound will be made on all our sales between June 9 and June 18, and 4¢ a pound on all sales from June 19 through June 29.

Refunds on Day of Price Change

"This is a headache for all concerned (sometimes successive declines overlap) and the practice used to be to work out and mail credit memos. Some years ago, soon after installing our Univac 120, we took the lead in issuing checks instead of credit memos. This gave our company so great a good-will advantage that others were obliged to follow suit. We have not lost the advantage, however; our checks are out at least a day before anyone else's, and we have perfected our procedures to the point where we can put from 5,000 to 10,000 refund checks in the mail the date the price change is effective.

"How is this done? By keeping the invoice detail cards, referred to earlier, in daily groups, and by having wired program boards ready on a stand-by basis. It is only necessary to plug in the amount of the price change, drop the boards in the Univac 120, and feed in the daily groups. Checks are rolling off the tabulators as soon as a group has been balanced and proven."

"This," sums up Mr. Lucas, "is an example of the way creative management of the data processing department can contribute directly to a company's position in its field."

HARDWARE MUTUALS Sentry Lift insurance group utilize Bell Telephone System's Data-Phone method of transmission over regular telephone lines to link their headquarters in Stevens Point, Wis., with 32 branch offices throughout the country, forming largest installation of its type to date. Information on punched cards is duplicated instantly by IBM Transceiver (right). Data-Phone (left) converts audible sounds transmitted by phone from branch offices, to electrical pulses which operate the Transceiver at current rate of ten 80-column or fifteen 40-column completely punched cards a minute. Data are fed into IBM 7070-1401 computer system.

Besides handling large amount of paperwork formerly performed in branch and district offices and greatly speeding policyholder service, installation is expected to reduce operation costs by more than $1 million annually, said James P. Jacobs, president of the insurance company.

The best cure for restlessness for far places is to go there and find them filled with people who would like to get back home.
—Commentator

Flexibility and Free Market North America's Strength

Flexibility coupled with an uncompromised basic free-market economy is the secret of the successful progress of capitalism in both Canada and the United States, says Matt S. Szymczak, former member of the board of governors of the Federal Reserve System.

Our various institutions "have shown an amazing ability to adapt themselves to the needs of a society in flux", incorporating the reforms demanded by each generation but always maintaining a system of opportunity for the individual, a Canadian Imperial Bank of Commerce conference was told by Mr. Szymczak, now consultant to C. J. Devine Company, New York, and professorial lecturer at Georgetown University.

A Call to Reduce Costs

With the cost-price squeeze increasing domestic competition, and foreign competition becoming more serious, costs must be radically reduced, management was cautioned by William H. Franklin, vice president Caterpillar Tractor Company, Peoria, Ill., at a conference sponsored by the National Association of Accountants.

How Evaluate Top Management of an Account?

Integrity, Financial Acumen, Ability to Set Goal and Get There

By DAVID T. SNOWDON
Assistant Vice President

Mellon National Bank & Trust Company
Pittsburgh, Pennsylvania

CREDIT executives have for years endeavored to improve their ability to measure management of their accounts as accurately as possible and, if nothing else has been gained from these efforts, it can be rather generally concluded that there is no formula, ratio, index number or other pat answer.

D. T. SNOWDON

Evaluating management is a complex problem to which good judgment must be applied after as many pertinent facts as possible have been obtained.

Generally speaking, a completely satisfactory evaluation of management is not usually possible at the time of the first order or of the first loan. Our estimates and our judgment tend to improve as we come to know the management more intimately. This can come about through a succession of business transactions and through personal contacts, both at our customer's place of business and at our own office.

In 1949 Randolph W. Hyde, vice president, assistant treasurer, United States Steel Corporation, presented "The Management Balance Sheet." This device for measuring management places the important criteria into balance sheet form so that they may be judged according to their short-term and long-term significance, as well as their relative importance to the final credit decision. This excellent device affords one helpful method of crystalizing the thinking of the credit executive as he tries to marshal his facts and arrive at a sound judgment in this complex area.

The American Institute of Management has ten criteria for judging management from an investment point of view. These criteria to which the Institute assigns mathematical values are:

1. Economic function
2. Corporate structure
3. Health of earnings
4. Service to stockholders
5. Research and development
6. Effectiveness of directors
7. Fiscal policies
8. Production efficiency
9. Sales vigor
10. Executive evaluation

Drawing on the opinions of commercial credit executives and other bankers, supplemented by personal research, I have summarized these opinions, together with my own point of view. I suggest that the principal criteria in evaluating management from a credit granter's point of view might be grouped as to:

A. Financial ability;
B. Ability to plan for and meet objectives;
C. Integrity.

By far the easiest criteria to measure are those applicable to the financial ability of management. One of the most discernible criteria in this area is a constant growth of sales and earnings. An examination of the trend of gross and net sales, particularly in depressed periods, will indicate management's ability to increase dollar sales on a consistent basis from year to year. Such examination should also take into consideration the tonnage or the number of items sold, as well as whether the company is obtaining an increasing share of the market available to it.

While allowance must be made for business downturns, these periods present one of the best testing periods for a good management. The decline in sales, if any, during a business downturn, reflects management's ability to maintain at least its relative position during unfavorable economic conditions.

A growing dollar amount of net profits, as well as a growing percentage of net profits, before and after taxes, to net sales is indicative of management's ability to sell its product and to control production costs and other expenses.

Especially pertinent to commercial credit granters as an evidence of the financial ability of management is its record for paying trade bills on time. This reflects an adequate working capital position in line with the volume of business being transacted and the maintenance of an adequate degree of liquidity of both receivables and inventory. Working capital can be measured against net sales to help determine the degree of success with which it is being employed. Receivables and inventory should be

(Continued on following page)

HOLDER ***of a master of letters degree of the University of Pittsburgh, David T. Snowdon also completed the course in commercial banking at the Graduate School of Banking, Rutgers University, and is an instructor in financial statement analysis at the American Institute of Banking.***

At the Farmers Deposit National Bank Mr. Snowdon was successively credit manager, assistant cashier, and assistant vice president. Following its merger with Mellon National Bank and Trust Company, he became assistant vice president of the latter.

He has been active in the Credit Association of Western Pennsylvania and Robert Morris Associates.

NACM National Construction and Building Materials Manufa

AMONG TOPICS discussed were "Retainage and Related Credit Problems in the Construction Industry" by Joe M. Baker, Jr. (seated in front row at extreme left), executive secretary, Contracting Plasterers' and Lathers' International Association, Washington, D.C.; "The Problem of Double Jeopardy in Construction Contracts" by John K. Bowersox (seated next to Mr. Baker), assistant manager, Building Contractors' Division of the Associated General Contractors of America, Washington, D.C. and "Surety Construction Bonds" by Edward H. Cushman (seated fifth from right), Cushman and Obert, Philadelphia, author of the chapters "Bonds on Public Works" and "State Bond Laws" in the NACM *Credit Manual of Commercial Laws.*

How Evaluate Management? FROM PAGE 21

measured against net sales. By this and by other methods the credit granter determines whether or not an adequate degree of liquidity exists.

Fixed asset ownership provides another device by which the financial ability of management can be gauged. To the degree that management keeps its plant and equipment in modern and efficient condition, its ability is in part determined. Management's discretion in restricting fixed asset expenditures to an amount that can be financed adequately and will not deprive the company of adequate working capital is an important part of the credit granter's evaluation.

In this area also the credit executive is concerned that his customer has not purchased fixed assets which are capable of much more productive capacity than either the size or type of his operation requires. All too often businesses have failed due to the acquisition of expensive machinery that could not be kept working more than a few hours a day, because the company was unable to purchase the machinery to bring the raw materials to the new machines and to take them away. Many companies, too, lack the marketing organization to sell the product fast enough to keep the new machinery fully employed.

Finally, among other aids in management is the adequacy of the capital in the business for the volume transacted. It is well known that a large sales volume done on an inadequate capital base can lead to high indebtedness in relation to the net worth and eventually result in financial impairment.

In measuring profitability, the credit executive counts a great deal on whether or not the owners are receiving an adequate rate of return on their investment. This is related to their willingness to put more capital in the business if needed and their ability to attract new capital from outside investors. Along this line, it is well to measure the dividend or withdrawal policy to see that sufficient earnings are retained in the business to support present and future growth on the one hand and, on the other hand, when liquid funds are available, to assure that the owners of the business receive a fair return on the funds they have invested.

The second major criterion for the evaluation of management is its ability to plan for and to meet its objectives. One approach is the recognition on the part of management of its specific long- and short-term objectives. This involves consideration of the nature of the product or service; the prospective area to be served; the eventual size of the company; the kind of customers it plans to serve; and the effect that attaining these specific objectives will have on production costs, the size, location, and layout of the plant, as well as the number and the skills of the people employed.

Budget and Cash Projections

One of the best measures of management's ability to plan for its objectives and eventually to meet them is to reduce these objectives to dollar amounts through the use of a budget procedure and the development of cash projections, however simple or complex.

More and more companies, includ-

...acturers Credit Group Holds All-Day Conference in New York

OTHER TOPICS were "Construction and Building Materials Financing," discussed by Sidney Lochan, vice president, James Talcott, Inc., New York, and "The Architect as a Disbursing Agent" by Edwin M. Forbes of Brown, Lawford & Forbes, New York. Seated in the center beginning sixth from the left are Alan S. Jeffrey, executive vice president, NACM; Glenn F. Ballard, Insulite Division, Minnesota and Ontario Paper Company, Minneapolis, chairman of the NACM Committee on Improved Construction Practices; and J. R. Howells, Pittsburgh Plate Glass Company, Pittsburgh, program chairman. General discussion followed reports by Ira D. Mermer (third row, extreme left) and Robert L. Roper (third row, extreme right) on NACM activities.

ing those in the medium-sized and smaller categories, are being encouraged by their bankers, accountants and other advisors to prepare budgets on a one-year and even on a five- and ten-year basis. The advantages are many, including the necessity for management to do some realistic grass roots thinking about what its objectives ought to be and in terms of dollars how those objectives are to be met. If the budgeting process is carried out properly, top management will bring each echelon of management into the budgeting process.

Each Department Contributes

This would, for example, involve those persons in the sales function from vice president or manager of sales to each individual salesman. In a similar manner, it would involve the production people who would have to evaluate their ability to meet the sales department's suggested goals. The treasurer or other financial persons in the organization would of necessity be consulted as to the source of funds available to meet these various objectives. In this manner the whole organization is made a part of the budgeting process and, in addition to getting the best judgment on all phases of the operation, the people who must meet the budget are those who have helped to prepare it.

By budgeting on a monthly or quarterly basis and comparing with actual figures, management can measure its achievements against its objectives and can more quickly take necessary corrective action. The credit executive, too, is much better informed as to what management's aims are, and when credit is extended, the creditors are better informed as to the source of funds from which obligations will be repaid.

Side by side with good budgeting and planning goes the use of sound accounting practices and controls involving such obvious measures as good collection procedures to keep receivables at a minimum and proper inventory planning so that excessive funds are not invested in inventory. An important aspect of good management today is its ability to develop new products or services and, when necessary, to adjust its present products and services to changing markets and economic conditions. Management must constantly be aware of the needs of its customers and prospective customers and must attempt to fulfill these needs through a product or service tailored to meet the customer's problems.

Very basic to the carrying out of objectives is the proper integration of management and employees into a cohesive group with specific and well recognized lines of authority and responsibility operating under good leadership. Along with this must be considered the depth and breadth of management. The company's management should have sufficient depth so that each key person is backed up by at least one and preferably more persons of varying degrees of experience. Manage-

(Concluded on page 34)

A nickel goes a long way these days. You can carry it around for a week without finding a thing it will buy.

—N. A. Rombe

Modernizing the Office

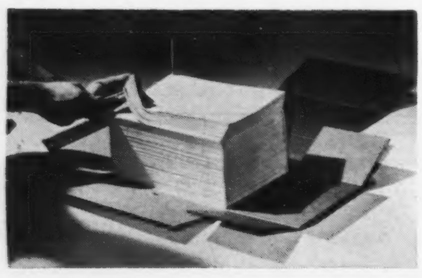
New Equipment to Speed Production and Reduce Costs

Portable Stapler

303 THOMAS COLLATORS' portable, automatic Stapling Machine may be integrated with operation of "Gathermatic" Collator or can be used independently as hand-feed unit. In either case, sets are jogged, stapled, counted and stacked in receiving tray automatically. When used in conjunction with Thomas' Gathermatic it operates at rate equal to collator's output. Dual-head machine will drive one or two staples simultaneously, accept paper and staples along either horizontal or vertical edge. Standard equipment includes automatic counter and jogging table.

Stores Punched Forms

304 PERMA SNAP BINDER, product of Office Equipment Manufacturing Company provides convenient, neat method for permanent storage of punched office forms. Forms are bound into rugged fibre board carton that later may be easily opened, gives protection against dust, dirt and moisture. Eighteen stock models are offered with 1/8" flexible nylon posts for marginal-punched burst and unburst forms; 30 models are available with 3/16" aluminum posts for all other forms. When set up and filled, the cartons are rigid and have no protruding parts, notes maker. Specification folder available.



No-darkroom Photo Prints

305 FOTORITE Processor takes photography out of darkroom, delivers completely developed and permanently fixed semi-dry photographic print or enlargement, with clear reproduction of halftones on glossy or matte paper, in 4 to 15 sec., notes the exclusive manufacturer-distributor, Geiss America. Contact prints of identical quality up to 11x14" can be made in normal room light, company adds. Chemicals are ready to use, no mixing is required. Compact, table-top unit weighs only 17¼ lbs.

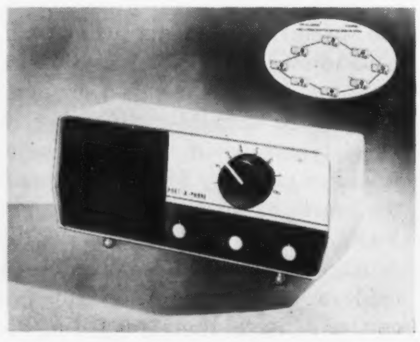
This department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Please address MODERNIZING, Credit & Financial Management, 44 East 23rd St., New York 10, N.Y.

Clipboard "Desk"

306 Evans Specialty Company offers its unique CLIP-DRAWER, handy plastic clipboard with a drawer. Clipdrawer slides open to form compact yet roomy case for carrying notes and papers of all types. Made of smooth, durable plastic, device features strong steel clip and convenient working surface, light weight (1½ lbs.), easy handling. Entire case measures 10"x14".

8-Channel Intercom

307 SELECT-O-MATIC Port-a-Phone Wireless Intercom System provides eight-channel privacy without costly laying of cable—system merely plugs in—and up to four separate intercom conversations may be carried on at same time, notes maker Feiler Engineering & Manufacturing Company. Both "All-Master" and "Master-Staff" selective systems are available. Other features of modern styled de-

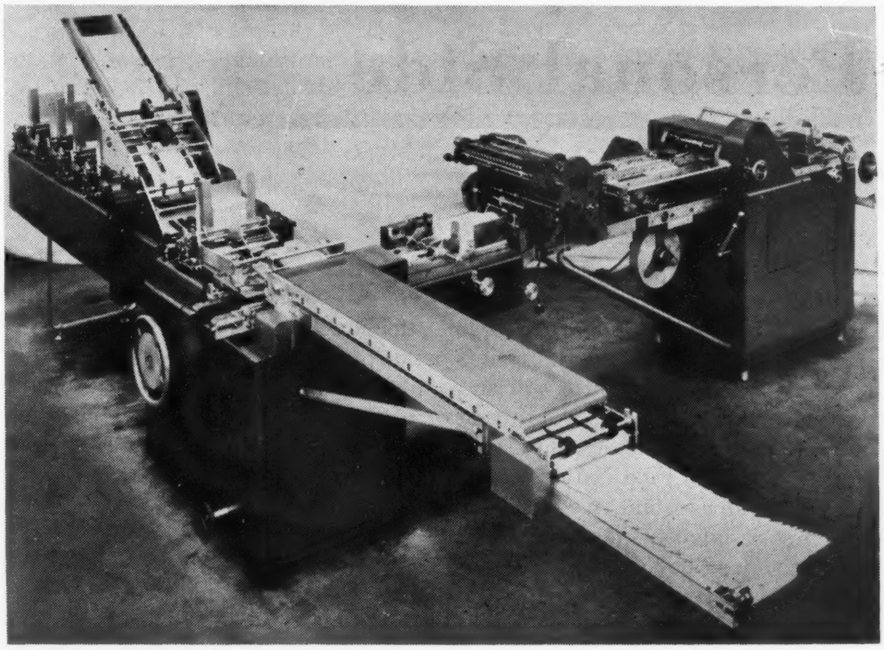


vice: automatic volume control, up-front static eliminator, "Magna Power" circuits for clear transmission over greater distances, "Band-Pass" noise reduction circuits.

Fireproof Wastebasket

308 Flame Tamer Waste Receptacle of Rock Royal Corporation incorporates automatic fire extinguishing principle which chokes off spark or spontaneous fire in waste receptacle. No chemicals or moving parts are utilized. Specially designed top is always open for trash disposal. Underwriters Laboratories inspected unit is available in office, commercial and industrial models.

MORE ***from the Business Equipment Exposition sponsored by the Office Equipment Manufacturers Institute, in New York City. (Other photos June CFM p. 29)***

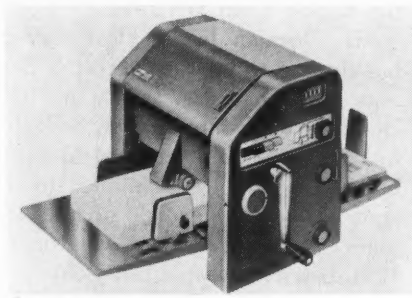


Enveloping-Mailing in Synchronized Operation

310 EnMail Machine Corp.'s Enveloping and Mailing Machine manufactures window envelope, assembles letterhead and enclosures, prints corner card and postal indicia, affixes stamps or postage by meter, counts and stacks mailing.

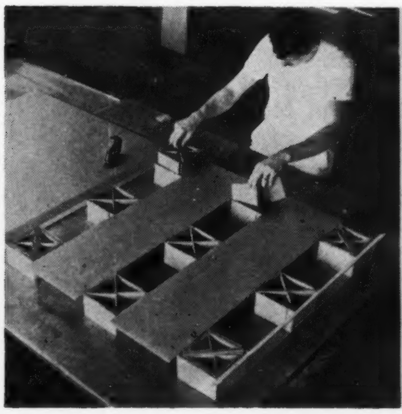
Lights-On Duplicator →

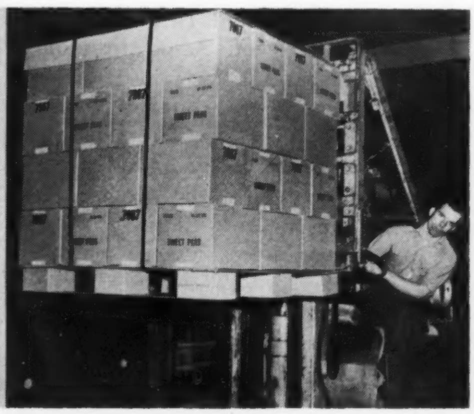
311 Concealed lights in Rex-Rotary D490 Duplicator illuminate receiving tray, paper-feed tray, inking compartment, height adjustment scale and stop-counter. Interleaver/collator combination automatically collates sheet being imprinted with previously printed sheet.



Expandable Pallet Reduces Costs

309 Corrugated "Expandable Pallet" (left) can be assembled from single piece of corrugated board within a few minutes by a single worker with a staple gun, notes manufacturer Packaging Corporation of America. (Right) Pallet is strapped to loads for maximum strength. Compression strengths have reached 51,000 lbs. in testing, according to the company. Specially designed corrugated support fillers provide increased strength. Pallets weigh only 3 to 4 lbs., are shipped flat, reduce costs.





EDP Accessory

312 Data processing accessory equipment by The General Fireproofing Co. is specifically designed to house, store and transport cards, control panels and tape reels with maximum protection and efficiency.

ON THE
Personal Side

DAN E. DORMAN, presently executive vice president First National Bank of Hawaii, Honolulu, has been named president. The appointment is effective January 1962. He will succeed Carl E. Hanson, who will become chairman. Mr. Dorman, who is 50 years old, joined First National Bank in 1948 as an assistant vice president. His first assignment was to establish a credit department for the bank.

Active in Hawaii Association of Credit Mgt. and Trade Groups, he was instrumental in establishing a system whereby representatives of the credit department rotated in their participation in credit association activities. In 1952 he was made vice president, and in 1957 became executive vice president and head of the bank's Loan Division.

Mr. Dorman began his career in banking with the First Trust & Savings Bank in Tulsa, Okla., in 1928. He then went into the oil industry for four years but returned to banking in 1941 with appointment to the staff of the Comptroller of the Currency, U.S. Treasury Department, 12th district in San Francisco.

JOHN C. PRITCHARD has been appointed credit manager The Stanley Works, New Britain, Conn., to succeed Edward E. Ogren, retired. (News of Mr. Ogren's retirement appeared in June CFM, p. 41). Assistant to the credit manager since 1959, Mr. Pritchard previously had worked with the director of long range planning. He is a member NACM Northern Connecticut Division and the Credit Research Foundation, NACM.

CHRIS A. THURMAN has become treasurer W. F. Schrafft & Sons Corporation, Boston.

DAVID M. BRUSH has been appointed assistant treasurer General Foods Corporation, White Plains, N.Y. He began with the company in 1959 as assistant to the treasurer and last November was promoted to manager of financial planning.

JAMES D. HENDERSON 3rd has been named president and treasurer Rittenhouse Capital Corporation, Philadelphia, newly formed subsidiary of Shapiro Bros. Factors Corporation, New York, N.Y. Mr. Henderson most recently was with Girard Trust Corn Exchange Bank of Philadelphia as credit analyst in the finance company field and as loan administrator for the foreign department.

ALBERT HART, JR. has been appointed vice president Joel Hurt Factors, Inc., Atlanta, Ga. He was formerly executive vice president Louisiana Factors Corporation.

LARRY L. PFLIEGER has been appointed director of corporate accounting and taxes, Burroughs Corporation, Detroit.

MARTIN H. ROD has been named assistant secretary James Talcott, Inc., New York. Mr. Rod is senior credit executive in the woolen and worsted department of the factoring division.

WILLIAM A. ATCHISON has been appointed treasurer Sheaffer Pen Company, Fort Madison, Iowa.

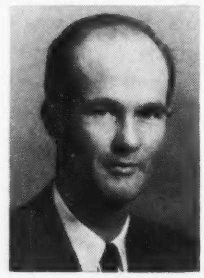
Completing 46 years in the hardware business, E. B. COOPER has retired as finance manager of Coast-to-Coast Stores, Portland. He was president of the Oregon Association of Credit Management, Inc., in 1940.

Mr. Cooper joined Marshall Wells Company in 1915, became general credit manager in 1956, and two years later, when the company merged into Coast-to-Coast Stores, he was named stores finance manager.

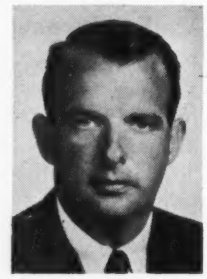
C. W. Carlisle, credit manager of Mitchell, Lewis & Staver, previously of Marshall Wells, succeeds Mr. Cooper.

D. E. DORMAN

A. HART, JR.



J. C. PRITCHARD



J. D. HENDERSON III

E. B. COOPER

R. J. URLAUB

LYALL G. ROSENFIELD has become assistant treasurer Astrex, Inc., New York City, and controller of the company's Philadelphia-based RESCO division. Earlier associations of Mr. Rosenfield were Transitron Electronics Corporation, Wakefield, Mass., and Sherwin Williams Paint Company.

ROBERT J. URLAUB, secretary-manager Dura Finance Company, has additionally been appointed manager of financial services for Moto-Mower, Inc., Richmond, Ind. Both companies are subsidiaries of Dura Corporation. As manager of financial services, Mr. Urlaub will work with distributors and dealers and the company's own sales force to coordinate financial and credit planning in the marketing of Moto-Mower products.

JOHN A. KINGSTON, named assistant vice president of James Talcott, Inc., had headed the corporation's commercial finance division. As assistant to Edward J. Fitzgerald, vice president of new business development, Mr. Kingston will be responsible for liaison in supervision and development of sales activities.

John F. Vogel has become assistant treasurer and assistant secretary Barber-Greene Company, Milwaukee. He was assistant secretary of Smith Engineering Works, division of Barber-Greene, prior to the merger of the two companies last year. Mr. Vogel, a certified public accountant, is a graduate of Marquette University and also holds the Fellow Award, National Institute of Credit, NACM. He began with Smith Engineering in 1949 and was made manager of the accounting and credit departments in 1952.

Paul F. Stapula has become general credit manager Dura Corporation, Oak Park (Detroit), Mich. As head of the new department Mr. Stapula has responsibility for all credits and collections for the corporation and its nine operating divisions and subsidiaries. Previous affiliations of Mr. Stapula were with Detroit Bank & Trust Co., Detrex Chemical Industries, and National Shawmut Bank.

Edwin C. Corson, Jr. has been named general credit manager American Smelting & Refining Company, New York, to succeed the late Frederick S. Miller. Formerly assistant general credit manager, Mr. Corson began with Asarco in 1934, in the Federated Metals Div. at Chicago. Since that time he has served in a number of capacities in St. Louis, Whiting (Ind.), San Francisco and New York City. Prior to coming to New York in 1957 he was credit manager of Federated's Pacific Coast Div.

E. C. CORSON, JR.

J. F. VOGEL

H. J. ULKLOSS, JR.

P. F. STAPULA

Harry J. Ulkloss, Jr. has been promoted from assistant treasurer to treasurer of The Electric Storage Battery Company, Philadelphia. Active in association affairs, Mr. Ulkloss is vice president and assistant treasurer Credit Management Association of Delaware Valley, and in 1958 he was recipient of the association's Award of Merit. He is a member of the Credit Research Foundation of the National Association of Credit Management and for nine years he conducted courses in credits, collections and financial statement analysis in Temple University's evening school.

George E. Emerson has been appointed credit manager U.S. Steel Supply Division's Chicago district. Gordon O. Jones is regional credit manager. Until his new appointment Mr. Emerson was credit manager of the supply division's Los Angeles steel service center. Graduate of the University of Washington, Seattle, he is a second year enrollee in the NACM Graduate School of Credit and Financial Management, Stanford. He began with U.S. Steel in 1951.

Louis F. Polk, Jr. has been appointed controller General Mills, Minneapolis. He succeeds Delbert F. Wright, who served as controller as well as vice president in charge of employee relations and who now is being assigned added duties in other areas. Mr. Polk went with General Mills in 1960 as special staff assistant to Mr. Wright, from vice president of operations for Sheffield Corporation, subsidiary of Bendix Corp.

Maurice L. Nee has become secretary of Texaco, Inc., New York, N.Y.

Harry D. Pace has been appointed secretary of Columbian Carbon Company, New York, N.Y.

Worth Loomis, secretary Medusa Portland Cement Company, Cleveland, has additionally been named assistant to the president.

S. E. Johnson, Jr., secretary The Cooper-Bessemer Corporation, Mount Vernon, Ohio, has added the duties of treasurer.

George J. Chapek has been named treasurer Union Paper & Twine Company, Cleveland.

At Van Camp Sea Food Company, Long Beach, Calif., **Ernest C. Cross** has been advanced to the credit department as assistant to Stanley E. Whittier, general credit manager. Mr. Cross has been with the company since 1953 in various positions, which include plant payroll, plant public relations and plant personnel responsibilities. In his new post he will be primarily responsible for supervising the accounts receivable department.

James F. Clyne, Jr. has been promoted from assistant secretary to secretary Lone Star Cement Corporation, New York, N.Y.

John McCambridge has been appointed vice president in charge of finance, American Can Company, New York. He began with the corporation 41 years ago and has been corporate controller since 1956.

J. G. Alexander has been advanced from assistant secretary to secretary Olin Mathieson Chemical Corporation, New York, N.Y.

Harold F. Diegel has become vice president and treasurer Elgin National Watch Company, Elgin, Ill. He formerly was controller Chrysler Corporation.

W. R. Haines has been appointed credit manager eastern region, Eastman Kodak Company, Rochester, N. Y. R. E. Schellberg is Kodak general credit manager. Mr. Haines began in 1952 as a trainee in the credit department. Later, as regional credit assistant he went into the field to assist dealers with the time payment program and in 1956 he returned to the Kodak office credit department to supervise that program.

John J. Clarson has been named treasurer and **E. Roger Montgomery** has become controller United States Plywood Corporation, New York, N.Y.

H. G. Hinck has been appointed treasurer and controller Baxter Laboratories, Inc., Morton Grove, Ill.

Harold A. Brinner is now vice president and treasurer Mallinckrodt Chemical Company, St. Louis, Mo.

Douglas H. Sears has been elected treasurer Pepperell Manufacturing Company, Boston, Mass.

Guides to Improve Executive Operation

KEEPING INFORMED

To Help You Prosper—Informative brochure explains how factoring can be a profit-making tool for companies in all industries, describes special facilities additionally available, such as factor's expertise in fiscal operations, production, merchandising, locating of personnel. Free. Write: John P. Maguire & Co., Dept. CFM, 370 Park Ave. South, New York 10, N.Y.

Postal Regulations—New important mail regulations will become effective Jan. 1, 1963, but it may be advisable in planning and purchasing to take advantage of this advance period in preparing for them. Among the provisions: envelopes less than 3″ by 4¼″ or other than rectangular shape will be nonmailable; envelopes larger than 9″ x 12″ or having a ratio of width (height) to length of less than 1 to 1.44 will be "not recommended." For detailed information on the new regulations, consult your local postmaster.

Management's Personnel Reminder—Convenient 3¼″x5¼″ notebook for keeping appointments, important data in organized manner, by month. Contains one complete note page for each day of month, plus page of conversion factors, miscellaneous record pages, short talks in print and interesting sayings. Offered on no-contract subscription basis; rates vary according to quantity used each month, starting at 25¢ a copy. For current issue sample, no charge, write National Business Aids, 1656 Lincoln Blvd., Santa Monica, Calif.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 44 East 23rd St., New York 10, N. Y.

EFFICIENCY TIPS

929—"Dow Industrial Service" 8-page booklet describes chemical services of Dow Chemical Co. in areas of equipment and missile cleaning, water and waste treatment and processing, product sales and services.

930—Supplies and accessories for addressing machines and mailroom supplies. Profusely illustrated 32-page catalog 10-3-D of Addressing Machine Co., contains numerous timesaving ideas. Prices are given.

931—"Dialaphone" automatic Telephone Dialing Device, for few dozen up to 850 names and numbers, is subject of leaflet of Dialaphone company.

932—Quarterly payroll form in five-part carbon-interleaved set, for use by accountants, bookkeepers, payroll clerks (Payroll Record Form P 113) is new product of Fold-aligned Forms Co.

933—Bennett portable Wireless Intercom system is described in brochure of Precision Equipment Co.

934—Brochure illustrates, gives specifications on "180 Data Collector" device of Control Data Corp. for data gathering at point of origin in punched paper tape form and subsequent computer processing.

935—Luxo Lamp Corp.'s 4-page catalog describes and illustrates line of lamps for business and industry.

936—Univac Tape Searchwriter, 8-page booklet, describes Remington Rand system for searching magnetic tape file. Ask for U 1729.

BOOK REVIEWS

Neifeld's Manual of Consumer Credit—by M. R. Neifeld, Ph.D. 603 pages. $11.00. Mack Publishing Company, Easton, Pa.

• Out of his rich experience as educator, economist, consultant and business executive, Dr. Neifeld has gathered in a single volume a vast store of information on consumer credit, for both management and classroom. And all is in a writing style that is clearcut, forceful, interesting.

In the running analyses appear many statements so basically worded that they could be lifted as factual definitions of economic terminology, yet throughout he takes care to present opposing theories in controversial subjects.

Dr. Neifeld definitely opposes consumer credit controls. He discusses 11 arguments for and against federal regulation, and sums up: "Basic indications are that after generations of applying selective controls, with more or less disastrous results, the nations of the world have returned to general monetary controls, secure in the knowledge they will be more effective in time and in force." And this: "The net effect of interfering with patterns of family expenditure through consumer credit controls is to lower the standard of living".

Rate making, he concludes in a study of consumer finance companies and the future, "must allow for the impact of inflation, which, through some of the measures taken to combat the great depression of the 1930s, has become ingrained in the American economy."

The author analyzes social, economic and operational aspects, and the institutions of consumer credit.

Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.

The Psychologist Analyzes Credit Worthiness

(Continued from page 13)

der threat, not because he is afraid of the bill collector but because he is willing to pay to get rid of a nuisance. Our practice has been to continue to reason with these people to pay their bills. We continue to send them statements until they pay us, but they are friendly, personal and reasoning letters. In a large establishment with much credit outstanding, this personal approach may be impractical because of the time it takes. In a small establishment like ours, the personal approach is very effective.

Persons with a Prudent Character

THE PERSON with a prudent character is the most difficult to collect from. He will use every subterfuge and stratagem he can find to keep from paying his debts. In most instances, he will pay only when he has to; that is, when, in relation to his own welfare and wellbeing, it is more expedient or more prudent to pay than not to pay.

What makes a person this way? Usually it is lack of training. A person with a prudent character has a shallow sense of values and obligations. He is an egoist and an opportunist. Somewhere, early, he failed to get the training that leads to understanding of and respect for the laws, norms and customs of our culture. To him such rules are restrictions to self-expression. Since he feels no loyalty to them, he will break them when expedient.

The person with a prudent character, therefore, is a poor credit risk. The best way to make him pay a bill is to make paying to his advantage. We have found it helpful to insist that he make a down payment when services begin and additional payments as services proceed. However, frequently, no matter how small the balance may be, if the person with a prudent character can get away with not paying, he will do so.

Persons with a Mixed Character

OCCASIONALLY we also find persons with a mixed character. These are persons who, in varying areas of behavior, act in an absolute, relative or prudent manner. For instance, a person may act in absolute character toward his church and always pay such commitments promptly because he is afraid not to. He may act in relative character toward his business obligations and pay because he wants to. He may act in prudent character toward the state and nation and pay his taxes only to the extent that it is prudent to do so.

Persons with a mixed character are a little more difficult to deal with. We handle them in our billings as fractured personalities. For instance, Mr. Frantz is separated from his wife and children. Toward his children Mr. Frantz shows a relative character, toward his wife a prudent character. Recently we extended credit to Mr. Frantz for child guidance services with one of his children and for personal counseling with his wife. At the completion of services we sent separate bills to Mr. Frantz for services rendered. In the billing for his child, we addressed ourselves to the relative character in Mr. Frantz and received almost immediate payment. In the billing on behalf of his wife, we addressed ourselves to the prudent character in Mr. Frantz. Payment for this service was made reluctantly and only after a number of statements.

"The person with a prudent character is a poor credit risk. The best way to make him pay his bill . . . is to insist that he make a down payment.

"The person with a relative character pays a bill because he wants to, if he considers it fair.

"The person with an absolute character expects to be pressed for payment. That's why customers with an absolute character have to be billed repeatedly."

—Dr. Hampton

Determining Character Types

THE TECHNIQUE we use to classify people into different character types is really quite simple. We present the client with a list of action problems and ask him to agree or disagree with a morally accepted solution to each. Then we ask him to give us his reasons for agreeing or disagreeing. Most people have little difficulty in agreeing with what normally would be accepted as the correct ethical solution. It is in the reasons they offer that persons show their real character.

Consider, for instance, responses made to the following test item by persons of different character types. The item reads as follows: "You go fishing with several of your friends and you catch more than the quota allows. Should you throw any of the fish back?" All readily answer "yes", but the reasons they give usually classify them as belonging to one or another of the four character types discussed.

The person with an absolute character will reason that "laws and rules are made to be obeyed. If you break them you are in for it. Play it clean and be safe." The person with a relative character: "It is unfair to take more than your quota. If all men took more than their quota fishing would soon have to be stopped altogether." The person with a prudent character: "It is not safe to take more than the quota. You could be caught." Finally, the person with a mixed character: "You would prove that you are not a very honest person and you might get caught."

Making Use of These Findings

How can the average official entrusted with the management of credit make use of these findings? The task is not as difficult as it may seem. We are actually only concerned with two steps of procedure: classification and application.

(Concluded on following page)

Whose Credit Can Be Trusted?

(Concluded from page 29)

Classification

OUR first objective is to classify potential creditors into the four character types discussed. This can be done by a depth interview as well as testing. The credit manager who does not have an opportunity to administer a temperament or an honesty test to his potential creditors, certainly has opportunity to engage them in a depth interview. The depth interview permits the credit manager to ask a number of loaded questions of potential customers, questions of the "what and why" variety. "What would you do if a stranger asked you to help him move a stolen safe? Why?"

Application

OUR second objective is to apply those collection principles of human nature to the different character types that will insure the greatest percentage of return in terms of payment. We have seen that the best collection principle to use with persons who have absolute character is "fear of authority"; relative character, "reasoning and personal obligation"; a prudent character, "personal welfare and well being". Finally, the best collection principle to use with persons of a mixed character is a combination of approaches depending on the kind of character mixture, that is, absolute-relative, absolute-prudent, or relative-prudent.

FDIC Insured Commercial and Mutual Savings Assets Up 6%

Twice the 3 per cent increase recorded in 1959 was the $291 billion total of assets of all insured commercial and mutual savings banks at the end of last year, says the Federal Deposit Insurance Corporation. In the overall 6 per cent increase, deposits reached $260 billions, capital and surplus accounts almost $24 billions, while miscellaneous liabilities were $7 billions.

Insured commercial banks had assets totaling $256 billions, half of the $13 billion increase being in loans. Deposits of insured mutual savings banks were up almost $3 billions (10 per cent), three-fifths of this due to net increase of 57 in the number of banks insured by FDIC.

C. E. Walker Is Named ABA Executive Manager

Dr. Charls E. Walker has been appointed executive vice president and executive manager of the American Bankers Association, to succeed Merle E. Selecman, who continues in an advisory post. Dr. Walker, 37, has been vice president and economic advisor of the Federal Reserve Bank of Dallas. From April 1959 to January 1961, on leave from the bank, he was assistant to then secretary of the treasury Robert B. Anderson, serving as principal economic advisor.

Dr. Walker joined the Federal Reserve Bank of Dallas in 1954 as financial economist. In 1955-56 he was economist with the Republic National Bank of Dallas. He has served on the faculties of the Wharton school of finance and commerce, U. of Pennsylvania, and the U. of Texas.

50% Gas Tax Protested as at Point of Diminishing Returns

Though a family car now is generally considered a basic commodity, gasoline taxes are "five times the rate of luxury levies on diamonds, mink coats and perfumes", says the Empire Trust Company, New York, urging more equitable financing of the federal highway program.

The 50 per cent tax on automotive transportation may have reached a point of diminishing return, observes the economist, citing the growing use of the socalled compact cars with their more economical gasoline mileage, a trend which some say will by 1964 reduce state and federal gas taxes by a half billion dollars below earlier estimates.

Westinghouse Appoints Tincher

William R. Tincher, former associate director of the bureau of litigation of the Federal Trade Commission, has been appointed to work with Thomas J. Kerr, Jr., head of the antitrust section of Westinghouse Electric Corporation's legal department.

Talking to Ourselves Because Our Hearers Need Training in How to Listen, says McDavid

Because "we are talking to ourselves most of the time", something must be done to "influence and train those around us to be better listeners", Thomas O. McDavid, vice president of Commercial Credit Corporation, told members of the Sales Executives Council in Baltimore.

Mr. McDavid quoted conclusions of surveys on speech communication and listening habits, assembled largely by Dr. Ralph Nichols of the University of Minnesota, president of the Speech Association of America.

A business engineering firm's study of communication efficiency showed that "top brass at comparable level achieved up to 90 per cent in transmitting meaning, but when the head man called in one of the vice presidents only 67 per cent of the message got through, and when the 'veep' relayed it to the general supervisor only 40 per cent got home. Finally, the workers who were to do the job 'got' only 20 per cent of the original message."

Mr. McDavid recited 10 worst listening habits as revealed by tests, and the prescriptions proposed. He noted Dr. Nichols' recommendations that listeners try to anticipate the speaker's next point, to weigh the evidence he presents, and to make a mental recapitulation, every five minutes, of the speaker's words and the listener's thoughts on them.

"We need more of this country's brains employed on a project of improving learning through listening", Mr. McDavid concluded.

Four-Point Program Offered To Expand Housing Market

Four keys to expansion of the nation's housing market are advanced by Walter E. Hoadley, vice president and treasurer of Armstrong Cork Company. Addressing the Houston Society of Financial Analysts, Mr. Hoadley proposed:

A practical and widely available means of trade-in of older homes for new; shifting emphasis to home improvements; survey and action to increase the value of the housing dollar; and greater acceptance of cost-saving innovations.

Credit Speaks to Sales—and Injects a Light Touch of Hyperbole

Are We Forgetting How to Say "No"?
Here's Call to Some Prudent Thinking

By **MATTHEW F. TUITE, JR.**
Credit Manager
The O'Brien Corporation
South Bend, Indiana

IN Dr. Norman Vincent Peale's book, "The Power of Positive Thinking," the message is directed to self-improvement by a change in one's method of facing the problems of life.

M. F. TUITE, JR.

In Dale Carnegie's "How to Win Friends and Influence People," the appeal is to develop a winning personality.

These and other such books certainly have their place and value. They develop happy, optimistic, cheerful, friendly people—who try to please others, who look to a bright future, who move boldly ahead.

This movement has been catching on. Everybody's so nice—and, it frankly has me worried.

I feel it my duty to call for a return to good old-fashioned negativism—for a resurgence of the art of negative thinking—a reawakening of the ability to be blunt. We are forgetting how to say "no."

The traditional mood of credit men? Hear me out.

Too many people are thinking big. Let's get back to thinking small!

What's become of our attachment to such inspiring phrases as:

"A penny saved is a penny earned."
"A stitch in time saves nine."
"Penny wise, pound foolish."
"A bird in the hand is worth two in the bush."

We're avoiding controversy—we're anxious to be like everyone else—to be all things to all people. There's little individualism left. We've got to make our dealers aware of this.

Why?

To straighten out those who are harming the industry. The people who are making things tough for you and for me. The people who are making things tough for themselves.

Who are they? We shall call these individuals THE SPENDER, THE EMPLOYER, THE SELLER, THE SCOFFER and THE AGREEABLE SALESMAN. By their acts you shall know them!

1. THE SPENDER makes an impressive entry on the scene. He comes on big—and fades fast. He has the best looking store in town. Nothing is too good. His capital is poured into store front, fixtures, new station wagon, club memberships, a fancy office and the latest cash register, typewriter, adding machine, to say nothing of air conditioning and an expensive location. His friends think he's a leading businessman. However, he has nothing left to pay for such trivials as inventory, rent, accounts receivable, salaries, utilities and other expenses. He can't understand what happened when the bills begin to pile up.

CREDIT speaks to Sales in the accompanying plea for sound thinking and doing. The speaker is Matthew F. Tuite, Jr., credit manager of The O'Brien Corporation, South Bend. The hearers are the 65 salesmen of the corporation, of which R. T. Hatfield is merchandising manager.

Mr. Tuite's "appeal to reason" concerns problems of the independent paint dealer but is relevant to many other industries—and it does point up the importance of Sales-Credit liaison.

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2. THE EMPLOYER is a born leader. He thinks he's president of General Motors. He's scanned books on business management. He feels he needs a man for every job. He has an assistant manager, several outside salesmen, several clerks, a bookkeeper who doubles as his secretary "for economy," a stockboy and a delivery man. Part time help includes a sweeper, window washer, window trimmer and auditor. All this for a store doing $120,000 a year. Tell this man he has too much help and he screams, "you tell me how to run this place with less—without having to be here all the time myself." At least this store *looks* busy—the help almost outnumbers the customers in another store.

3. THE SELLER is a volume hound. He pays no attention to other aspects of the business. He's out to make money on turnover even if he loses on every sale. He likes the big job. Has a very sharp pencil. There's no bottom to how low he'll go in price to get a sale. He doesn't have time to fool around with retail customers. Salesmen love him while he lasts.

4. THE SCOFFER can't be bothered with keeping records. Figures don't mean anything and, besides, it makes him nervous to do a lot of bookkeeping. He can keep track of things in his head. He's always on the move—everything's going to work out okay if those creditmen just give him a little time. Maybe he'll be able to get a small business loan. He sees no value in monthly profit and loss statements. Why keep inventory control records? Why watch expenses when you can't change them?

5. THE AGREEABLE SALESMAN never disagrees with a customer. He doesn't realize that respect is often built on honest, worthwhile disagreement. He doesn't feel a salesman should become involved in sordid credit discussions. That's what the

credit department is for. He doesn't meddle in his customer's business, even if he sees glaring errors in management. He could help THE SPENDER, THE SELLER, THE EMPLOYER and THE SCOFFER, but you never know how they will react to criticism. Best to leave well enough alone. Sure have a lot of accounts cut off because of credit, though. Those credit people don't understand how tough it is out in the *field*.

Do these examples illustrate what I'm getting at?

I'm for negative thinkers!

1. The *store owner* who can say no to a salesman when he has sufficient inventory.
2. Turn down a big order if there isn't enough profit in it to make out.
3. Cut his expenses in order to hold his profit and knows when to do it.
4. Keep his company car or truck another year when he sees he can't afford a new one.
5. Who sees the value of working himself, rather than paying a salary for someone to do his work.
6. Who can face his customers and ask them to pay their bill so that he can pay his.

I'm for the dealer who knows that the first element of control for a profitable business is *self-control.* Who can conserve what he has and build for what he wants. Who learns he has to make it before he can take it.

I'm for *the salesman* with nerve enough to point out mistakes in management to his dealers. Who can tell them the truth and earn their admiration.

The salesman who advises his customers to make a profit first, pay their bills—and think big when they can afford to.

Who's ready to show his accounts how to work hard by example.

To teach them thrift by example.

This is the old fashioned way, but still the only sure way. This is the solid way to build good customers. It isn't the popular or easy way.

Sound judgment, prudence and conservatism on the part of dealers and salesmen are the answers to many problems we face. Try being different. The results will please.

In the News

SYDNEY L. HAMMER, vice president, and PETER WHITE, senior vice president of Manufacturers Trust Company, were honored by United Jewish Appeal of Greater New York at a testimonial luncheon. Mr. Hammer was presented NACM's Zebra Award at the Credit Congress in Denver for having brought in the largest number of association members in the past year as a member of the New York Credit & Financial Management Association.

ROBERT HOLLOWAY, president of Southwestern Ohio Steel Company, has been elected president of the Junior Chamber of Commerce of Hamilton, Ohio.

DONALD G. EDER, special assistant to the vice president of the Youngstown (Ohio) Steel Door Company, has been elected president of the National Association of Accountants.

CHARLES L. SMESSAERT, secretary-treasurer Walter H. Johnson Candy Company, Chicago, has been chosen as the 1961 Candy Industry Man of the Year. He also served as general chairman of the annual convention of the National Confectioners Association which met in Chicago in June.

C. BRUCE MCCONNELL, president of Hamilton, Harris & Co., Indianapolis, has been elected president of the National Association of Tobacco Distributors.

JOHN DILLON of Mercantile National Bank has been elected president of the Dallas Chapter of the American Institute of Banking.

HERBERT R. SILVERMAN, president of James Talcott, Inc., has been appointed chairman of the factors and finance division of the 1961 Greater New York USO Campaign.

MISS CECILE LAMMERS of Central Trust Company, Cincinnati, has been elected secretary of the American Institute of Banking.

MICHAEL P. FIORENTINO of Samuel Simons, Inc., Los Angeles, has been elected president of the One-Twenty-One Credit Club, succeeding Robert J. Cahn, Commercial Factors Corporation.

ARDEN SWISHER of KMTV Omaha has been elected president of the Nebraska Broadcasters Association. KBON (Goldenrod Broadcasters, Inc.) received an Award of Merit.

Winner of the Lybrand Gold Medal Award of the National Association of Accountants is ROBERT G. JAEDICKE, associate professor of accounting at Stanford University. His paper: "Improving Break-Even Analysis by Linear Programing Technique".

JOEL SHORIN, executive vice president of Topps Chewing Gum, Inc., was presented a plaque in recognition of the Shorin Foundation's support of the Eleanor Roosevelt Cancer Foundation. Congressman James Roosevelt made the presentation.

Three-Way Guide to Improve Workmen's Compensation

Operation of workmen's compensation would be improved if administrators would undertake full responsibility for supervision, if disability ratings were clarified, and if rehiring of disabled workers would be made automatic, a symposium at the University of Wisconsin was told by Professor Earl F. Cheit of the Institute of Industrial Relations, University of California, Berkeley. The occasion was the 50th anniversary of workmen's compensation insurance.

Automation Challenges Banks To New Public Relations Tools

Automation will never replace the friendly handshake, but it will require finding new ways to maintain public contact for service and to fulfill the obligation to be economic educators in the community, said Garnett A. Carter, vice president Fulton National Bank, Atlanta, addressing a departmental conference of the American Institute of Bankers, in Seattle.

"It is not what we say we are, or what we do, but what our friends and customers know we are, that makes us what we are in banking", the former AIB president declared.

Legal Rulings and Opinions

$350,000 Furniture Gift

Some 100,000 pieces of office furniture, valued at $350,000, have been donated to Columbia University by The Chase Manhattan Bank. The furniture is from seven offices closed when the bank opened its 60-story head office building in New York's financial district.

A departure in corporate giving to education.

Illegally Seized Evidence

The Constitution forbids the use of illegally seized evidence in state criminal trials, the U. S. Supreme Court voted, 5 to 4, in a search-and-seizure decision overturning a 1949 ruling.

A difference in the rules for state and federal courts is eliminated by the decision. In 1914 (Weeks vs. United States) the ruling was that federal courts must exclude illegally seized evidence. In 1949 (Wolfe vs. Colorado) the Supreme Court held that state courts were not bound by the ruling. Twenty-four states that have been admitting illegally seized evidence are barred from the practice by the new decision.

Union Dues and Politics

An individual compelled to join a railway union has veto authority over the spending of his dues for political purposes, the U. S. Supreme Court held in a 5 to 4 vote. The majority found this limitation was intended by Congress when it permitted the union shop in its amendment of the Railway Labor Act in 1951, which requires that an employee must join a union shop within a specified time.

Holder vs. Indorser

Mr. and Mrs. "Norton" purchased furniture from the defendant, who took a note and mortgage. Actually the purchaser's name was "Morton." He sought to avoid identification as a former inmate of a reformatory, sent there for armed robbery. The plaintiff sued the payee on the note, wherein the maker's name had been forged. The defendant payee had indorsed it "without recourse".

The court held that the defendant owed the obligation to inform the plaintiff correctly as to the identity of the one seeking credit, and that the defendant's indorsement of the notes constituted a breach of warranty under the uniform negotiable instruments law. That the note was signed "without recourse" was immaterial, said the court. (*U. S. Finance Co. vs. Ohio Home Service, Inc.* 83 Ohio Abs. 389 3-17-60)

Repurchase of Defaulted Paper

A guaranty of payment if the maker defaults is an action based upon a contract of guaranty rather than indemnity and is barred by the Statue of Frauds as a promise to answer for the default of another, the court ruled in *City Factors Corp. vs. Glubo, 192 N.Y. 2d 79 (1959).*

Motion had been made to dismiss the complaint in an action to recover damages for breach of oral contract to repurchase defaulted paper. The petition was dismissed.

Warranty Uncertain, Void

The jurisdiction of the court to enter judgment on a confession note was questioned by the defendant. The warrant only empowered "any attorney of any court of record within the United States to appear . . . and confess judgment against me". The note did not specify place of execution delivery or payment or residence of the defendant.

The court ruled that confession of judgment in "any court of record within the United States or elsewhere" was too general and that the warranty was void because of uncertainty. The court also quoted as follows from 1st syllabus, *Kinsman National Bank vs. Jerko*, 3 Abs. 300, Aff'd 3 Abs. 264: "A warrant of attorney authorizing confession of judgment is looked upon with disfavor. . .and will be strictly construed in favor of the grantor. . ." (*Common Pleas Court of Summit County.* 3-16-60.)

Payments to Widow Held Gifts

A U.S. circuit court of appeals affirmed a district court ruling (*Grace Reed v U.S.*) that payments received by the widow of a deceased employee constituted gifts, excludable from gross income under Section 102A of the Internal Revenue Code, and not to be included in income under 101B. The Internal Revenue Service has decided not to request review by the U.S. Supreme Court, but says the decision will not be used as a precedent for similar cases, pending developments.

The question was whether the $37,500 constituted a gift excludable from gross income under 102A, an employee's death benefit under Section 101B, excludable only up to $5,000, or wholly apart from 101B as taxable income.

IRS considered the money to be employee death benefits controlled by Section 101B, and contended that the gift inclusion provisions of Section 102 do not apply to any part of such payments.

Ruling on Equal Pay Law

Pennsylvania's so-called equal pay law, passed by the 1959 legislature, bars wage discrimination against men as well as women, according to Attorney General Anne X. Alpern. Miss Alpern said the new act repealed a 1947 law which had prohibited pay bias merely against women. She said the new law was designed to prevent *all* wage competition between men and women.

The attorney general said the law sought to guarantee that a woman being paid a fair minimum wage under the act of 1947 would not lose her job to a man who might replace her by working at a substandard wage. Payment of such a wage to an employee only because he is a man would constitute a clear discrimination on the basis of sex, she added.

One very nice thing about money is that the color of it never clashes with any outfit you may be wearing.

—N. A. Rombe

How to Evaluate Account's Management

(Concluded from page 23)

ment should also be broad enough so that the business has the knowledge through one or more persons of all important aspects of sales, production and finance.

To be a good credit risk the company should have an economically sound product or service and the product or service should be in keeping with the economic function it is intended to fulfill. Last but not least, from the standpoint of management's ability to meet its objectives, is good commonsense in setting objectives that are realistic and yet at the same time are high enough that the company is motivated toward constant progress.

Integrity in All Relations

The third of the basic criteria set forth in this discussion is the integrity of management in all of its relations as evidenced by the personal reputation and family life of those who are responsible for the major decisions and their willingness to stand behind the company's representations regarding its product and service, as well as to make good these representations if there is any question.

This should be supplemented by a reputation for the fair treatment of suppliers, customers, competitors, bankers and others who perform specific services for the company as well as a reputation for reliability with the public at large. Above all, management should have the courage of its convictions and, having made sound decisions as to a course of action, should hold to this course and should not temporize or rationalize its decisions.

Basic to Credit Decisions

In summary then, it is an accepted fact that management is the most important factor to be evaluated in making a credit decision. By its very nature, management is difficult to evaluate accurately and completely and in this process of evaluation the various criteria used should be considered carefully even though they are not subject to exact measurement. Basically, the criteria may be grouped into three major categories: (1) Financial ability; (2) Ability to plan for and meet objectives; and (3) Integrity in all relationships. Despite the difficulty of evaluating management, however, it must be done by the credit executive to the best of his ability on the basis of the information available, if sound credit decisions are to be made.

Talcott-IAC of Canada Form Canadian Financing Company

James Talcott, Inc. and Industrial Acceptance Corporation have formed a jointly-owned company, Industrial-Talcott Limited, headquartered in Montreal, to provide commercial financing, factoring, industrial leasing and other financial services to Canadian industry. Herbert R. Silverman is president of James Talcott, Inc., which has its headquarters in New York City. J. H. Ranahan, IAC president, has been named president of the new firm.

James Talcott Inc. reported it processed more than $1,275,000,000 in receivables in 1960. Industrial Acceptance Corporation reported assets of $600 millions and capital and surplus of $88 millions. The company and its subsidiaries operate through 145 branches in Canada. Its activities extend over a range of retail and wholesale time sales financing in consumer and industrial fields.

R. R. Campbell, Talcott regional vice president in Chicago, has been named vice president and general manager of the affiliate. Directors of the new Canadian company include four officers from each parent firm. Representing Talcott, in addition to Mr. Silverman and Mr. Campbell, are James Talcott, chairman, and Francis Moscrop, financial vice president. IAC officers in addition to Mr. Ranahan are G. E. Wemp, IAC chairman, J. B. Pennefather, executive vice president, and J. H. L. Ross, vice president and general manager.

Bank Advertising Increases

Increase of $8 millions in advertising budgets of commercial banks is indicated this year, to a total of $180 millions, says the advertising department of the American Bankers Association. Of the 3,536 banks participating in a survey, 48 per cent expect to spend more than in 1960.

Honored

Attorney General L. J. Lefkowitz (left) receiving Laurel Award of New York Credit and Financial Management Association from President Sidney A. Stein, NACM director.

Attorney General Cites Duty Of Trade in Fraud Prevention

Responsibility to curtail fraudulent and deceptive business practices must be shared by industry and government, Louis J. Lefkowitz, New York State attorney general, told members of the New York Credit & Financial Management Association at a luncheon forum.

Mr. Lefkowitz received the association's Laurel Award for his "unrelenting crusade against fraud . . . and his brilliant achievements in a field which closely parallels our own objective in stamping out commercial crime."

Bank Holdups Are Fewer But Loss Increases $212 Millions

Continuing decrease in the number of bank holdups and burglaries was recorded for the six months ended February 28 by The American Bankers Association's insurance and protective committee. However, dollar loss increased $212 millions.

Bank embezzlement losses of $10,000 and over in 1960 increased in both number (to 111) and dollars (to over $10 millions). Only 6 of the 111 were partly underinsured. Between 3,000 and 5,000 banks have bought $1-million fidelity insurance policies.

There were 1,000 embezzlement losses in amounts under $10,000.

Midwest Credit Conferees To Hear Four Top Speakers

President Herbert P. Buetow of Minnesota Mining & Manufacturing Company and President Robert C. Liebenow of the Chicago Board of Trade will share the dais with O. A. Jackson, vice president of Continental Illinois National Bank & Trust Company, and Thomas H. Coulter, chief executive officer of the Chicago Association of Commerce and Industry, at the Annual Midwest Credit Conference, in Chicago September 21 and 22.

A four-man panel discussion led by J. Homer Hilf, district credit manager Aluminum Company of America, and an Industry Day session are among highlights of the program.

Sensenich Is Exalted Superzeb Of Pittsburgh Herd of Zebras

C. G. Sensenich of Irwin-Sensenich Corporation is the new Exalted Superzeb of the Pittsburgh Herd of the Royal Order of Zebras.

Other officers installed by Thomas D. Sheriff of Hamburg Brothers, Inc., past Grand Exalted Superzeb, were: D. T. Snowdon, Mellon Bank, Most Noble Zeb; Thomas McElroy, National Supply Division, Armco, Royal Striper; Jack Conwell, Eastern Gas & Fuel Association, 3 Horse Power Burro; Hunter Culley, Liberty Brazing & Welding Co., Keeper of the Zoo; Paul Taggart, of the Credit Association of Western Pennsylvania, Keeper of Accoutrements; and Frank Hohman, association, Zebratary.

No-Compromise Drive on Bad Check Passers Is Launched at Rochester

A policy of "no compromise", paralleling the NACM Fraud Prevention Department's standing practice in its investigation of commercial frauds, is embodied in a businesswide program to rid Rochester, N. Y., of bad check malefactors. Participating in the drive are the Rochester Retail Merchants' Council, members of the Rochester Association of Credit Management, the district attorney's office and city detectives.

The comprehensive program calls for instruction of store personnel in detection and apprehension of passers of worthless checks, full support of citizens in making complaints, and full prosecution of every case presented.

Increased appearances of "insufficient funds" checks were discussed at a preliminary meeting with John J. Conway, Jr., district attorney.

Rochester retailers last year said only $67,000 had been recovered from the $125,000 in bad check cases reported by retailers, while the number of reported cases represented only a fraction of the total bad checks passed, said Detective Charles Schinder of the police check squad. The Retail Merchants Council in a survey learned that in 20 downtown stores $50,000 in bad checks had been passed and only half recovered.

William H. Brown, chairman of the credit group of the Retail Merchants' Council, declaring that "retailers are not going to be easy marks any more," said they had agreed to report to the police every bad check, however small, and to demand prosecution in every case rather than settlement out of court.

District Attorney Conway urged that "law-abiding citizens must cooperate by making complaints to police and then pursuing the prosecution." He declared the retailer himself is often at blame by trying to get an out-of-court settlement rather than reporting the case. Mr. Brown pledged that the stores will refuse compromise once prosecution has begun. At the same time he noted many unintentional cashings of worthless checks because individuals fail to keep checkbook balances up to date.

AT INDUCTION of new Board of the Association of Credit Men (P.I.). Standing (l to r) Alternate Director M. D. Fabros, Jr., Theo. H. Davies & Co. Far East, Ltd.; Directors E. Ledesma, Jr., Far East Bank & Trust Co.; E. Gan, Commercial Bank & Trust Co., and I. Fernando, Jr., Firestone Tire & Rubber Co. of the Philippines; Immediate Past President W. C. Tecson, China Banking Corp.; Secretary-Treasurer A. Roxas, First National City Bank of New York; President R. R. Tulio, First Acceptance & Investment Corp.; Vice President D. R. Rahn, International Harvester Macleod, Inc., Director L. Grey, Philippine Banking Corp.; Alternate Directors F. R. Trinidad, DRB Marketing Corp., and J. Arce, Caltex (Philippines, Inc.).

SEATED: Past President L. A. Fernandez, San Miguel Brewery, Inc.; L. S. Virata, chairman DRB Marketing Corp. and president Commonwealth Foods, Inc., guest speaker; Past Presidents E. Teehankee, Northern Motors, Inc., and P. Luthi, now in private business, formerly with Menzi & Co., Inc.

Mr. Rahn was the first recipient of the Award of Appreciation, for association services, including chairmanship of the education committee

Cash Discount Survey Begun By Credit Research Foundation

A survey to determine members' conclusions on the effectiveness of the cash discount is being conducted by NACM's Credit Research Foundation.

Paint Credit Group Reelects Weinstock to Third Term

Martin B. Weinstock, treasurer M. J. Merkin Paint Company, Inc., New York, who served as president of the Paint & Allied Industries Credit Association in 1938 and in 1954, has been named president for the third time. Mr. Weinstock has been a director New York Credit & Financial Management Association the last four years, director New York Credit Men's Adjustment Bureau, and recently was named vice president and member executive committee. He is chairman credits & collections committee New York Paint, Varnish & Lacquer Association; member similar committee in the National Paint, Varnish & Lacquer Association for several years.

Solomon H. Kaplan, Adelphi Paint & Color Works, the retiring president, received a gift in appreciation for his services.

Tax Reductions for Stable Inventory Preferred to Selective Credit Control

There is no "automatic approach" to monetary policy and it may be too much has been expected of this policy, C. Canby Balderston, vice chairman board of governors Federal Reserve System, told attendees at the 45th annual meeting of the National Industrial Conference Board in New York City. Devices to reduce inventory fluctuations as a new line of approach to control of depressions were described by Henry C. Wallich, professor of economics, Yale University.

"The rate of growth we actually achieve is the outcome not as much of governmental fiscal or monetary and credit policies as it is of business policies toward prices and wages, toward research and development, and toward other forms of investment," Mr. Balderston said.

In an exploration of ways to control depressions, Dr. Wallich ruled out the "easing and tightening of credit by the Federal Reserve and selective credit control applied to inventories" as "inadequate." Among the more promising techniques he described "a tax reduction for firms that maintain a stable inventory policy," analogous to the merit rating for the unemployment tax under which employers with stable labor force experience pay less than those whose layoffs at times are heavy.

Four points of tax policy for stable growth cited by Richard A. Musgrave, chairman department of political economy, The Johns Hopkins University, should provide for: a long-run growth in tax yield, commensurate with the growth in public expenditures; a level of saving in line with the economy's capacity to invest; a tax structure which is inducive to a high level of investment, and sufficient flexibility to permit short-run adjustments for purposes of cyclical stabilization.

"The recent proposal for an investment credit better meets the requirements for stimulating investment with least interference with the equity of the tax structure, than would a general cut in the corporation tax or accelerated depreciation," he said.

MRS. SOPHIE DAVIS ***(center) of The Pate Supply Co., new president of the Wholesale Credit Women's Group of Birmingham, succeeds Miss Annie Schoenherr (right), George F. Wheelock Co. Mrs. Mary Holder (left), of The J. M. Tull Metal & Supply Co., is first vice president. Other officers: Mrs. Kincheloe Hanners, second vice pres.; Mrs. Queenie Hooper, Commercial Printing Co., treas.; Miss Juanita Yarwood, Alabama Trailer Co., recording secty.; Mrs. Annie Brunker, WBRC Inc., corresponding secretary.***

Twenty - year - olds, we learn, have twice as many headaches as sixty-year-olds. Maybe the worries that pain the brain at 20 simply tickle the funny bone at 60.
—Changing Times

Swimming Pool Credit Group Launches Expansion Program

A nationwide expansion program has been launched by the National Swimming Pool Equipment Group, affiliated with the Credit Managers Association of Southern California, with Charles S. Barbara of Van Nuys as chairman.

Membership now numbers 23 manufacturers and wholesalers of pool equipment. Interchange of credit information and daily publication of names of firms attempting to pay bills with worthless checks are among the Group's services to members in a rapidly growing industry.

Let Individual Compute Tax on Average of Years, CPAs Ask

Let individuals compute their tax returns on the basis of their average income for a specified number of years, and so eliminate unfair treatment of those with fluctuating incomes, the committee on federal taxation of the American Institute of Certified Public Accountants proposed to the House ways and means committee as one of its 105 recommendations for amendment to the Internal Revenue Code.

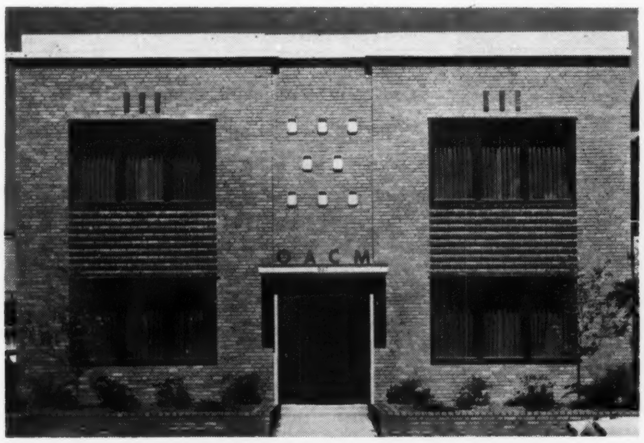
The Institute committee called inequitable the recent opinions of the U. S. Supreme Court that expenses incurred to defeat proposed legislation should not be deductible.

Five-Month Instalment Credit; No Interest or Service Charge

Dealers are allowed five months of instalment credit in which to pay for their phonograph record purchases from Cosnat Record Distributing Corporation, New York and Hollywood, with no interest or service charges on amounts outstanding.

Dealers using the credit plan retain their 100 per cent exchange privilege, on packages only, after the five-month period, and may make new purchases prior to the expiration of existing arrangements.

Oregon Credit Association Opens Its New Home

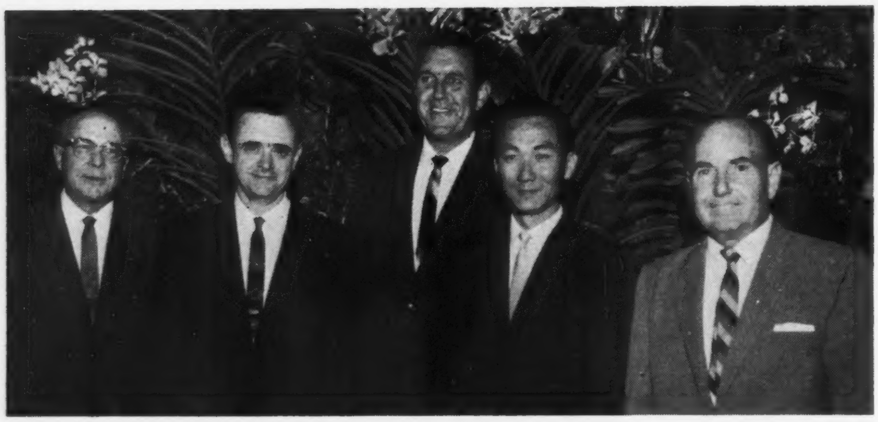


OPEN HOUSE and ribbon-cutting ceremonies introduced to community and members the new $175,000 office building of the Oregon Association of Credit Management, Inc., in Portland. Offices occupy the entire second floor. Conference room, lunch room, heating and storage facilities are on the ground floor. Most of the parking space is under cover. Officers and directors of the credit association participated in the formal opening.

Association President Kenneth C. Hume, assistant vice president Bank of California, N. A., cut the dedicatory ribbon. Left to right are Keith Denney, Woodbury & Co., director and board secretary; Alvin L. Reed, Dairy Co-operative Assn., director and building committee chairman; Mr. Hume; R. W. Kupfer, executive vice president of the Oregon Association; James W. Hunt, Centennial Mills, Inc., and R. N. Woodruff, Oregonian Publishing Co.

BEFORE. Workmen in action on the block-long structure of the affiliate's new home.

AFTER. Side view of the new structure. Note the abundance of window accommodations.



GUIDING activities of the Hawaii Association of Credit Management for the coming year under the presidency of George McGregor of Standard Oil Company of California. (L to R) R. Vergne Tanner, von Hamm-Young Co. immediate past president; Mr. McGregor; Arthur J. Spielman, Lewers & Cooke Ltd., vice president; Hideshi Fuchino, treasurer, and George W. Conniff, secretary.

BENEFITS of The Small Business Investment Act to the economy were outlined by panelists of the Credit Management Association of Delaware Valley at a meeting in Philadelphia. Left to right: A. Gilbert Heebner, treasurer and member of the operating committee of the Greater Philadelphia Small Business Investment Company; Duncan H. Reed, deputy administrator, Investment Division SBA, Washington, and Howard I. Green, president Small Business Investment Company of Pennsylvania, Philadelphia.

CHARLES HAINES (seated, left), ***credit manager of Acme Newport Steel Corp., is the new president of the Cincinnati Association of Credit Management. Beside him is J. C. Caldwell, credit manager Armco Steel Corp., vice president. Standing (l to r): William J. Carr, branch manager Charles Bruning Co., Inc., treasurer; and Norbert G. Backhus, secretary-manager of the credit organization.***

Takes $10 Sale to Recapture $1 Waste, Accountants Told

Unless manufacturers of "top quality" products learn to recognize where value ends and waste begins, "exorbitant waste" by business and industry can result, the 42nd international conference sponsored by the National Association of Accountants. in New York, was told by Howard L. C. Leslie, vice president of Value Analysis, Inc.

It takes $10 in extra sales to recapture $1 wasted by over-design or over-distribution, he said, or, $1 of cost reduction or cost prevention equals $10 of additional sales.

Careful analysis is especially essential today, Mr. Leslie declared, because manufacturers have no choice but to purchase expensive machinery, and the margin for error is diminishing.

Increased domestic competition due to cost-price freeze, and especially competition from abroad, are the two most important developments affecting business, declared William H. Franklin, vice president Caterpillar Tractor Corporation, Peoria, Ill. To combat foreign competition he suggested that the management accountant make sure that management understands the problem and is acting on it, that the company is capitalizing on advantages of lower costs, location, technical superiority, and is doing what it can to lower prices.

Develop Deposits, Increase Research, Bankers Advised

Revision of managerial policies of banks is essential, now that they are rapidly approaching a fully loaned position, says E. Sherman Adams, vice president of The First National City Bank of New York.

Emphasis must turn to developing deposits, Mr. Adams told The Stonier Graduate School of Banking at Rutgers — The State University, New Brunswick, N. J. At the same time, he said, rationing policies for most profitable distribution of loans must be adopted while conserving enough lending capacity to accommodate credit needs of business customers.

He urged more research to maintain good earnings, streamlining of services, more effective competition for the large saving accounts and the excess funds of corporations.

Fire Losses Setting New High; Up 8.3 Per Cent in 5 Months

Dollar losses from fires apparently will blaze a new high record this year, according to the NACM Insurance Committee.

May's loss of $93,103,000, as the National Board of Fire Underwriters estimates it, is 7.1 per cent above the corresponding month last year, and the increase is even greater—8.3 per cent—for the first five months of 1961, which set a record annual high of $1,107,824,000.

Here is a comparison of losses the last three years (000 omitted):

	1959	1960	1961
January	$112,983	$ 92,949	$117,252
February	98,120	96,782	116,606
March	99,610	116,365	109,222
April	90,689	98,106	95,486
May	81,597	86,940	93,103
TOTALS	$482,999	$491,142	$531,669

March and April losses were under last year's, but January and February were the two most costly months in modern history.

More Development Companies Would Add Jobs, Says Horne

Eight thousand local development companies, eligible for loans, could be established to stimulate business and jobs in labor surplus areas, if community groups would take the initiative, says John E. Horne, U.S. small business administrator.

No Built-In Escalator

This "Decade of Incentive" will show the greatest-ever growth in the American and world markets, but the marketer who thinks all he has to do is to climb aboard a built-in escalator of roseate forecasts "will be run over," David J. Hopkins, vice president of McCann-Erickson & Co., Inc., told the Los Angeles Advertising Club.

CALENDAR OF EVENTS IMPORTANT TO CREDIT

MINNEAPOLIS, MINNESOTA
August 2-3
Midwest Secretary-Managers Conference

HANOVER, NEW HAMPSHIRE
August 6-19
NACM Graduate School of Credit and Financial Management at Dartmouth College

VICTORIA, B. C.
September 10-13
Western Division Secretary-Managers Conference

NEW YORK, NEW YORK
September 14-15
NACM Credit Management Workshop

CHICAGO, ILLINOIS
September 21-22
NACM Midwest Credit Conference, including Great Lakes and Ohio Valley District Credit Conferences and St. Louis Association of Credit Management.

MINNEAPOLIS, MINNSSOTA
September 28-29
North Central Credit Conference including Minnesota, North Dakota, Manitoba.

SAN FRANCISCO, CALIFORNIA
October 12-13
Pacific Southwest Credit Conference, including California, Arizona, Utah, Colorado, Nevada

HOUSTON, TEXAS
October 15-18
37th Annual Conference of American Petroleum Credit Association

SIOUX CITY, IOWA
October 18-20
Quad-State Credit Conference, representing Iowa, Missouri, Nebraska and South Dakota

JACKSONVILLE, FLORIDA
October 18-20
Annual Southeastern Credit Conference, covering Florida, Alabama, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee

ATLANTIC CITY, NEW JERSEY
October 26-28
NACM Eastern Division Credit Conference

FORT WORTH, TEXAS
October 26-28
Annual Southwest Credit Conference.

CHICAGO, ILLINOIS
November 2-3
Central Division Secretary-Managers Conference

PHILADELPHIA, PENNSYLVANIA
May 13-17, 1962
66th Annual Credit Congress

Tax Incentives for Consumers

Stimulus to full employment and economic growth would result if consumer investments in automobiles, homes and heavy appliances were given federal tax incentives, George Katona, Ph.D., of the University of Michigan Survey Research Center, suggested in a paper for a University of Texas Conference.

Dr. G. E. Hassett, Jr., Dies; Credit Institute Consultant

The death of Professor George E. Hassett, Jr., assistant to the dean of the Graduate School of Business Administration, New York University, ended years of service to NACM's National Institute of Credit as consultant for its correspondence courses in credit and collections.

Credit Manager A.J. Maguire Of American Viscose Is Dead

A. J. Maguire, 61, of Philadelphia, credit manager of American Viscose Corporation, died after a short illness. He had joined the company in 1929, and became credit manager in 1937.

Mr. Maguire served two terms as president of the Interchange Group now known as the Fiber Producers Credit Association.

He was active in the New York Credit & Financial Management Association, The Credit Management Association of Delaware Valley, The Crude Rubber Credit Association, and the 475 Club in New York.

RAYMOND T. CUSTER ***(left), new president of the New England Association of Credit Executives, Inc., presents NACM Certificate of Merit, and association gifts, to Albert Pauly, whom he succeeds. Left to right: Mr. Custer, New England district financial manager of Graybar Electric Co., Inc.; Henry J. Lamb, association executive manager; Mr. Pauly, credit manager Samuel Cabot, Inc.; First Vice President George C. Phalen, assistant vice president First National Bank of Boston, and Assistant Treasurer Everett B. Trask, credit manager E. F. Mahady Co. Not in picture: Second Vice President Walter B. Morrison, credit manager Stetson Shoe Co., Treasurer G. F. Moss, credit manager Brown Durrell Co.***

F. S. Miller Dies; General Credit Manager of ASARCO

Assistant treasurer and general credit manager of American Smelting and Refining Company, Frederick S. Miller had been with the company since 1940. Death followed a cerebral hemorrhage.

Mr. Miller, educated at Hotchkiss School, Franklin and Marshall College, Haverford, University of Pennsylvania Law School and Harvard Graduate School of Business Administration (masters degree), had previously been associated with Hamilton Watch Company and Armstrong Cork Company. He was a member of the New York Credit & Financial Management Association and NACM's Credit Research Foundation.

GRAYDON J. HOSKIN ***(left), vice president of United California Bank, Los Angeles, receives gavel as president of the Credit Managers Association of Southern California, from John P. McLaughlin of Richfield Oil Corp., retiring president. With them is Lee J. Fortner, association executive vice president.***

Sebastian Chang Dies in Hilo; Secretary-Manager of Chapter

Sebastian Chang, secretary-manager of the Hilo Chapter of the Hawaii Association of Credit Management, succumbed to a heart attack. He had been one of the first presidents of the chapter.

Mr. Chang became manager of the Hilo chapter in 1958 after 20 years of service with von Hamm Young Co., Ltd. He also pioneered formation of the Hilo Retail Credit Association.

Edward H. Kuse Dies

Edward H. Kuse, manager of the Interchange Department of the New England Association of Credit Executives, died after a long illness.

Oppose Using Public Credit to Finance Private Industry Plant

The three major municipal default periods in the United States had the common characteristic of substantial defaults growing out of heavy indebtednesses incurred to aid private enterprise, says a survey committee of the Investment Bankers Association of America.

The committee proposes amendment of the federal income tax law to deny the corporate lessee a deduction for the rental payment to state or municipality for use of industrial plant acquired or improved out of proceeds of tax-exempt bonds.

Optimism Over Factory Jobs Reflected in National Study

Eighty per cent of 160 manufacturing companies participating in a survey expect factory employment to increase or at least maintain present levels for 12 months, says the National Industrial Conference Board.

Increased employment appears more promising in the metalworking industries than in others, the survey indicates.


W. J. BABIN


MRS. McGRAW

Executives in the News


W. W. FULLER


T. G. PHILLIPS


D. G. HALE


R. S. BOYD

Coast Grocery Executive Named by Tacoma Unit

Daniel G. Hale has been named president Tacoma Association of Credit Men. Now credit manager West Coast Grocery Company, Mr. Hale went to work in the wholesale grocery business as assistant credit manager upon return from three years' Navy service in 1945. He was promoted to his present post in 1955.

Native of California, Mr. Hale was educated in the State of Washington. He majored in accounting and business administration.

Prime Mover in Norfolk Unit, Bank Executive Now Heads It

Dynamic aggressive leadership in establishment of a Bureau for the Tidewater Association of Credit Management, Norfolk, and as director and secretary, have earned for Robert S. Boyd, assistant vice president of Seaboard Citizens National Bank, Norfolk, election as president of the NACM affiliate. Mr. Boyd is a member Norfolk-Portsmouth Sales Executives, director Norfolk Retail Credit Executives, and secretary-treasurer Carolina-Virginia Chapter of Robert Morris Associates.

Following graduation from William and Mary College Mr. Boyd served as a pilot in World War II and was returned to civilian life with honors as a first lieutenant.

Education Is Vital to Growth, New Orleans Leader Counsels

"This could be called a story of growth," opening line of the "Management at Work" case history authored by Wilbur J. Babin in the October '60 issue (p. 16) fitly applies to this profile of the new president of the New Orleans Credit Men's Association. Holder of the Fellow Award, National Institute of Credit, and Executive Award of NACM Graduate School of Credit and Financial Management (Dartmouth '56), Mr. Babin is qualified to point out, as he does, "the advantages of the Associate and Fellow Awards program to manufacturing and wholesale creditmen."

Mr. Babin is assistant treasurer and office manager Geo. H. Lehleitner & Company, New Orleans.

Alabama Credit Executive Also University Lecturer

T. Grady Phillips, president Alabama Association of Credit Executives, is general credit manager Nifty Manufacturing Division, St. Regis Paper Company, Birmingham, which has plants in Houston and Los Angeles, sales offices in Chicago and New York. For the last three years Mr. Phillips has been guest lecturer at "U" of Alabama extension division, in credit and collection courses. He is past director local chapter National Association of Accountants.

Mr. Phillips began with Nifty Manufacturing in 1948 as accountant and credit manager, following seven years with government agencies.

Triple Cities Affiliate Names Mrs. Mary McGraw to Top Post

First woman to be so honored in the association's 31-year history, Mrs. Mary McGraw, credit manager Binghamton Container Company, Inc., has been named president Triple Cities Association of Credit Management, Binghamton, N.Y. Mrs. McGraw served as president of the Credit Women's Club (1949), and on the national level she was vice chairman National Credit Women's Executive Committee (1960-61) and member NCWEC for two terms (1955-57). She is also executive secretary New York State Golf Association.

Louisiana Banker Links Interests through Service

A primer of service is reflected in activities of W. Warren Fuller, 39, vice president Commercial National Bank, Shreveport. "A" is for accountancy—he's secretary Shreveport chapter Louisiana Certified Public Accountants. "B" is for banking—he's past president local chapter American Institute of Banking. "C" is for Credit—Mr. Fuller is president Shreveport Wholesale Credit Men's Association.

Mr. Fuller began his banking career in 1946 in the trust department, advancing to credit department manager in 1955, and in 1960 to vice president for commercial loans and credits.

Reports from the Field

GREEN BAY, WIS.—"How Credit Men Can Help Their Company's Sales" was outlined by Emmett W. Below, vice pres. Marathon's food packaging division, at the dinner meeting of the National Institute of Credit, Northern Wisconsin-Michigan Chapter.

FARIBAULT, MINN.—Edwin B. Moran, consultant, retired executive vice pres. National Association of Credit Management, was featured speaker at the Minnesota state convention of Exchange Clubs. Mr. Moran's talk was titled "Selling the Intangible."

PITTSBURGH, PA.—"Availability of Construction Loan Funds" was subject of V. T. Sampson, pres. Homewood Savings & Loan Association, and director Federal Home Loan Bank of Pittsburgh, at the Credo luncheon meeting of The Credit Association of Western Pennsylvania.

At the annual joint meeting of the association and the World Trade Council, Clifford R. Rohrberg, vice pres. Morgan Guaranty Trust Co. of New York, discussed "Credit Granting in Today's Export Market." Successive meeting speakers and their topics were: Joseph G. Smith, vice pres. purchasing and raw materials, Pittsburgh Steel Co., "An Examination of Today's Inventory Practice"; Thomas G. Morris, secy. and treas. Pittsburgh-Des Moines Steel Co., who discussed "Analysis of the Contractors' Financial Statement—Joint Ventures"; and William R. Parker, administrative vice pres. and secty. Ketchum, MacLeod & Grove, on "Financial Management in an Advertising Agency."

TACOMA, WASH.—"New Trends and Developments in Our Foreign Policy" was topic of Dr. Norbert N. Einstein at the joint dinner meeting of the Tacoma Association of Credit Men and Tacoma Credit Women's Group.

UTICA, N.Y.—Recent changes in liability insurance as they affect the area were covered by Harry C. Foster, Jr., Utica Mutual Insurance Co. and member automobile and general liability rating committees Mutual Insurance Rating Bureau, at the dinner meeting of the Central New York Association of Credit Men.

NASHVILLE, TENN.—A firsthand picture of how warehouse receipts as applied to field warehousing operations serve as an important tool for creditmen was outlined by James Davis, asst. vice president The Lawrence Company, Memphis, at the dinner meeting of the Nashville Association of Credit Men.

ST. LOUIS, MO.—Credit Women's Club of the St. Louis Association of Credit Management on its membership participation night held a panel discussion "Reviewing Our Duties As Credit Managers." Helen P. Juergens was moderator, with these panelists: Mrs. Evelyn L. Meints, whose topic was "Operating New Accounts and Setting Up Credit Lines"; Fanny Klein, "Analyzing Financial Statements"; Evelyn Kirby, "Collection Follow-up" and Mayme Lee Parrish, "Adjustments and Liquidations."

To keep other people off your toes, keep on them yourself.

—N. A. Rombe

CINCINNATI, OHIO—Eighth annual all-day credit conference sponsored by the Cincinnati Association of Credit Management had as speakers and topics the following: "Importance of Credit Management in Today's Business", Calvin F. Lloyd, pres. Gardner div., Diamond National Corporation, Middletown; "Privileged Communications—The Do's and Don'ts", R. W. Biccum, general attorney, Retail Credit Co., Inc., Atlanta, Ga.; "Present Day Bankruptcies", Hon. Raymond Pellman, referee in bankruptcy, Southern District of Ohio. Also "Money—Credit—Capital in Today's Market", Dr. Peter C. Peasley, educational director, NACM; "A Fresh Approach to Small Business Statement Analysis", H. Donald Roberts, investment advisor; "Upgrading the Job of the Credit Manager", H. B. Simpson, vice pres., American Lubricants Co., Dayton; "A Case History", Jos. Osberger, J. L. Osberger & Co., CPA's and business consultants.

"The Copying Machine in the Business Office Today" was topic of William Carr, branch manager Charles Bruning Co., at the luncheon meeting of the Credit Club.

DALLAS, TEXAS—"Changes Made in Texas Lien Law Code" was subject of William Woodburn, attorney, of Worsham, Forsythe & Woodburn, at the luncheon meeting of The Dallas Association of Credit Management.

SAN FRANCISCO, CALIF.—Annual joint meeting of all divisions of the Wholesale Plumbing & Heating Credit Groups of the Credit Managers Association of Northern and Central California had as speakers: Lloyd E. Graybiel, vice pres. Wells Fargo Bank American Trust Co., San Francisco, whose topic was "Sixties—Sizzling or Fizzling;" Edward L. Turkington, regional director, and Robert Mihlbauer, production specialist, Small Business Administration, who spoke jointly on "Operation of Small Business Administration"; M. J. Burris, pres. Tay-Holbrook, Inc., on "Management Views Credit and Its Effect on Sales." San Jose Chapter was host for the meeting, Emmet Murray, Western Plumbing Supply Co., chairman.

GRAND RAPIDS, MICH.—"The Role of Private Investment in Urban Redevelopment" was subject of J. Paul Jones, Grand Rapids city planning director, at the regular meeting of the NACM Western Michigan Inc.

The spotlight was held on "Credit and You" by Miss Dorothy Rothfuss, asst. treas. & controller Mutual Home Federal Savings & Loan Assn., at the luncheon meeting sponsored by the Credit Women's Club of the association.

LOS ANGELES, CALIF.—"A Debtor's Petition under Chapter XI of the National Bankruptcy Act" was subject of Jack Stutman, of Quittner, Stutman & Treister, attorneys, at the dinner meeting of the Credit Women's Club of the Credit Managers Association of Southern California.

MINNEAPOLIS, MINN.—Dean McNeal, executive vice president The Pillsbury Co., and director of the business analysis department, was speaker at the past presidents' night meeting of the Credit & Financial Management Association unit.